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MANAGEMENT AUDIT

OF THE

PERSONNEL DEPARTMENT

PART I

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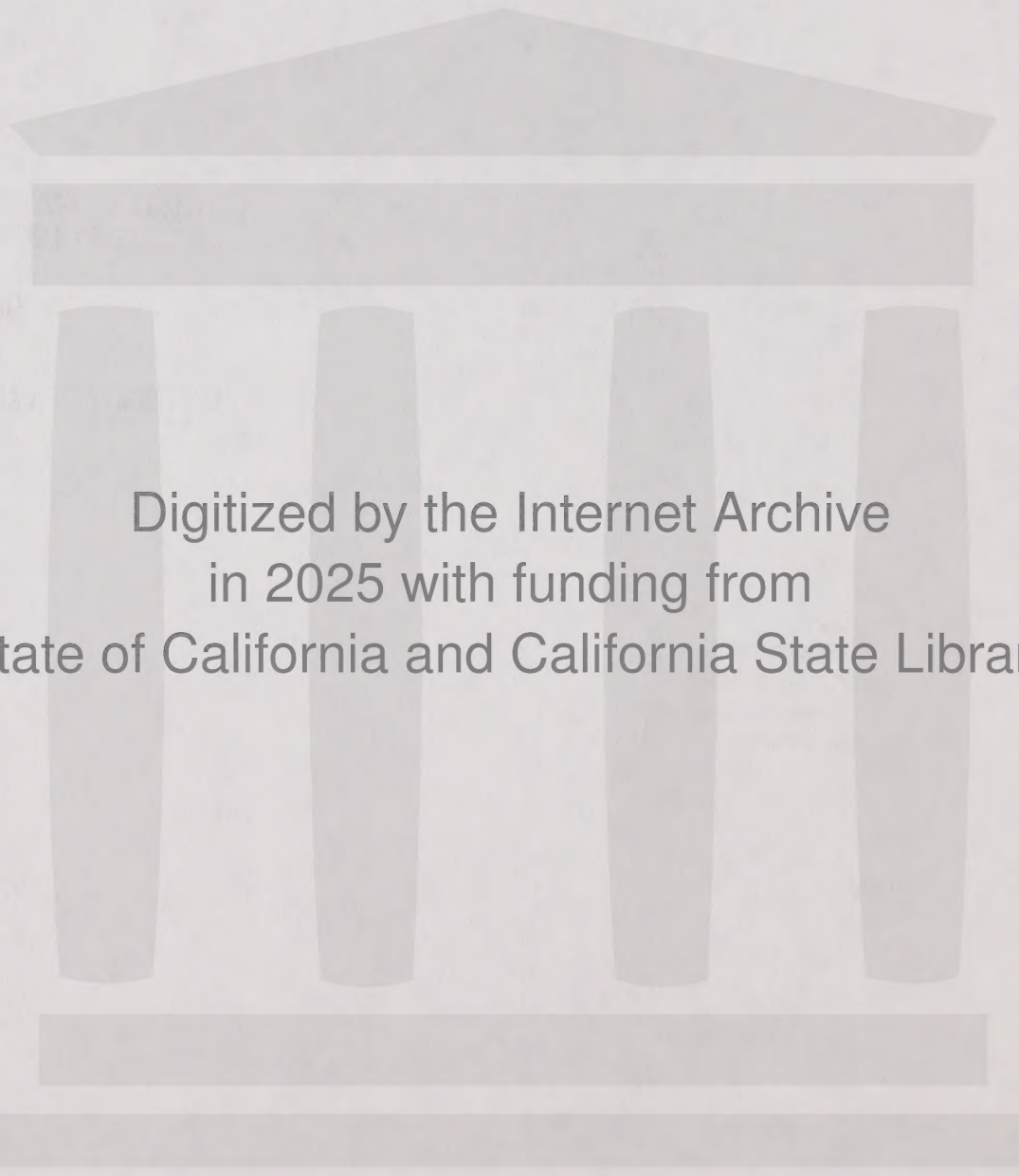
OCCUPATIONAL HEALTH

AND SAFETY ACTIVITIES

by

Robert E. Chase
Acting City Administrative Officer

November, 1979



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CITY OF LOS ANGELES

CALIFORNIA

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CITY ADMINISTRATIVE OFFICER



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ASST. CITY ADMINISTRATIVE OFFICERS

TOM BRADLEY
MAYOR

November 2, 1979

The Honorable Council of the
City of Los Angeles

The Honorable Tom Bradley
Mayor of the City of Los Angeles

The Civil Service Commission of the
City of Los Angeles

Mr. John J. Driscoll, General Manager
Personnel Department

Transmitted herewith is Part I of the Report on the Management Audit of the Personnel Department. The Audit was initiated in the normal course of events in furtherance of City Charter Section 53 for the purposes of examining operational compliance and evaluating the efficiency and effectiveness of the Department.

The recommendations contained in the Report have been divided into two categories to facilitate consideration as follows:

1. "Requiring Mayor/Council Action."
2. "Requiring Departmental Action."

The General Manager is requested to submit a report in four months to the City Administrative Officer detailing the progress achieved in implementing the recommendations of the Audit Report. My Office will then prepare an evaluation of the progress with appropriate recommendations, and transmit it with the Department's progress report to the Mayor and Council for information and necessary action.

The Management Audit of the Personnel Department was directed under my supervision by John R. Coombs, Assistant City Administrative Officer, and Daniel J. McGowan, Chief Administrative Analyst. Members of the Audit Team were Russell E. Johnson, Jeffrey D. Druyun, William L. Kroner and Virginia N. Morrill.

Very truly yours,

Robert E. Chase

Robert E. Chase
Acting City Administrative Officer

REC:DJM:gje

cc: Each Member of the City Council

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INTRODUCTION

This document represents Part I of the second Management Audit of the Personnel Department as it is now constituted. The first audit took place in 1972. This Audit is released in two parts because the variety and scope of the Department's responsibilities lend themselves to separate analysis and recommendations.

This Report covers those units in the Department involved with occupational health and safety, namely the Medical Services, Workers' Compensation, and Employee Services Divisions.

The programs covered are:

<u>Title</u>	<u>Positions</u>	<u>1979-80 Budget</u>
Emergency Care Services	36.5	\$ 1,086,672
Occupational Health and Safety	<u>102.0</u>	<u>42,508,339</u>
	<u>138.5</u>	<u>\$43,595,011</u>

It should be noted that over \$40 million of the above amount is categorized as "Special" in the budget and includes Health, Dental and Unemployment Insurance as well as Workers' Compensation expenses.

The recommendations of this part of the Management Audit of the Personnel Department are constructed so that they can be implemented independently. Part II of the Report, which covers the balance of the Department's activities, will be released in the future. Recommendations pertaining to Department wide issues will be presented in that portion of the Report.

SUMMARY

The occupational health and safety activities of the Personnel Department are conducted by the Employee Services (Safety), Medical Services, and Workers' Compensation Divisions. While these units should be pursuing common objectives in close coordination with each other, our findings indicate that coordination is minimal which decreases the effectiveness of the City's efforts to hire physically qualified employees, provide employees with a safe workplace, keep them healthy, compensate them for injuries, and minimize the City's long term workers' compensation liability.

The Safety function is carried out by the Occupational Safety Office, a section of the Employee Services Division. Although safety is ultimately the responsibility of line departments, the Personnel Department's role should be to provide centralized technical expertise to assist in the various City departments. Despite an Executive Directive fixing departmental responsibility and the establishment of a measure of effectiveness for departmental safety programs, the centralized safety function lacks departmental acceptance. The current organization resulted from a 1973 transfer of departmental safety personnel into the Personnel Department to gain efficiency from centralization. The Audit gave consideration to decentralizing the function particularly with regard to securing departmental involvement. However, recent changes in emphasis by the Personnel Department appear to have the potential of increasing program effectiveness. These include the establishment of a Safety Administrator position, concentration on areas of greatest injury incidence, and an emphasis on work practices rather than physical conditions. Decentralization therefore is not recommended at this time. Should this new emphasis not achieve the desired results, another thorough review should be conducted to determine if the centralized approach should be abandoned and safety personnel should be assigned to those agencies experiencing a high incidence of injury.

The Medical Services Division contributes to the overall lack of communication and coordination noted above. The division appeared to be "over administered" at the time of the audit, with excessive resources devoted to administrative tasks. A subsequent organizational change has moved a Physician III position from the role of Assistant Medical Director to that of directing Workers' Compensation medical services. This modification has the potential of increasing effectiveness.

The Audit Team reviewed the value of certain medical services performed by the Division in view of the financial limitations imposed by Proposition 13. Pre-employment physical examinations could be replaced by a medical history declaration

for many City classes. This will result in significant savings, by reducing the number of doctors or by allowing these doctors to spend more time on other more pressing matters.

Workers' Compensation represents the most significant problem area in the entire occupational health and safety function. The skyrocketing costs of workers' compensation have been noted many times. Much of this increase is due to generous State legislation which provides such features as a liberal construction requirement in the employee's favor, presumptions that certain conditions are caused by employment, and the increasingly expensive "cumulative trauma" concept. These provisions were addressed in detail by the Mayor's Advisory Committee on Disability Pensions and Related Matters. We concur with their recommendations to modify State laws that create these burdens on public and private agencies.

City workers' compensation costs are further compounded by City policies which have the effect of providing a financial disincentive for an employee to return to work. Under State law, temporary disability payments do not begin (except if an employee is hospitalized) until the passage of a three-day waiting period. City regulations do not provide for a waiting period. Maximum state mandated temporary disability payments are \$154 per week. The City has chosen to pay either 90% (for civilians) or 100% (for sworn) of normal salary for up to one year. Because workers' compensation benefits are not taxable, City employees can receive higher take-home pay while injured than when on-duty. We believe that this may act as an incentive to stay off-duty. This "loop-hole" should be closed. This report recommends a management position to be taken in the meet and confer process.

In addition to State and City laws, other serious problems are manifested in the operations and activities of the Workers' Compensation Division. This Report details numerous problems in the system which have resulted in non-and-late-payment of bills, paying the same bill more than once and paying temporary disability payments in excess of the authorized one year. Much confusion exists in payroll offices throughout the City about when an injured employee's off-duty status should change. In turn, antagonisms are generated among vendors, employees and other City departments. Other manifestations of the problem are a high case load, extremely poor physical working conditions, virtually no procedures manuals, and a computer system which seems to create more work than it saves as exemplified by the fact that rush payments are processed by hand and bypass the computer.

Recommendations to solve the division-level problems include changes in internal organization and in the work process. A key to improvement in the process is the establishment of a reasonable accounts payable procedure, a unified case and bill

payment file, and, eventually, an improved data processing system. It also is recommended that a classification study of the Workers' Compensation Division head and clerical positions be conducted to determine if they are appropriate to accomplish the work being performed.

The Employee Benefits section, which with the Safety Office, comprises the Employee Services Division, is basically a "money funnel" to pay for items such as health and dental insurance, unemployment insurance, and suggestion awards. No major problems were noted in this section. The operation is efficient and effective.

Coordination among the separate functions is vital in view of the large sums involved and the payoff to the City from solving identified problems. Improved coordination and communication can significantly lower the City's long term liability. The General Manager has instituted meetings among the involved divisions. We believe that a more formal structural change is necessary, and that an existing Assistant General Manager position should be assigned to direct and coordinate all the activities of the Medical Services, Workers' Compensation, and Safety functions.

RECOMMENDATIONS

REQUIRING MAYOR/COUNCIL ACTION

1. Subject to the meet and confer process:
 - a. Reduce the City's rate of temporary disability pay to the minimum specified by the State Labor Code. Amend the Administrative Code to allow civilian and sworn employees to use sick time to make up the difference between the temporary disability payment and their regular take-home pay.
 - b. Modify the City Administrative Code to provide for a three-day waiting period before temporary disability payments begin, consistent with the State Labor Code. Further, permit the use of unused sick time as an income supplement during those three days.

REQUIRING DEPARTMENTAL ACTION

That the General Manager:

SAFETY

2. Develop a uniform methodology for job safety analysis to be utilized by all safety engineering staff.
3. Revise and refine the computerized Workers' Compensation System and Safety Subsystem for uniformity and accuracy of data.
4.
 - a. Better publicize the role of the Safety Office to the managers of all other departments.
 - b. Provide authoritative backing for actions taken by the Safety Office.
5.
 - a. Expand the practice of counseling repeatedly injured employees to automatically include all employees injured a specified number of times over a limited time span.
 - b. Explore the feasibility of training all Safety Engineering Associates in counseling skills, or of assigning only one or two Associates to the function of counseling for all injured employees.

MEDICAL SERVICES

6. Combine Medical Services, Safety and Workers' Compensation into an Occupational Health and Safety Division to be headed by an existing Assistant General Manager position.
7. Reduce the physician and nursing staff at Parker Center through a variable staffing plan for the workload variations which occur with the predictable high and low periods of arresting of drunks.
8. Provide detailed instructions to Departments on the operation of decentralized rehabilitation programs as a result of discontinuance of the program for counseling alcohol and drug abusers.
9. Restrict pre-employment physical examinations to Police Officer, Firefighter, Paramedic, Maintenance Laborer and other classes where strenuous physical effort and/or stress may cause subsequent claims against the City. All other prospective employees should be required only to complete medical history declarations unless there is an evident reason to perform a physical.
10. In view of recent budget reductions evaluate the need for clerical staff and Junior Administrative Assistant positions in Medical Services Division.
11. Reduce the X-ray and laboratory staffing to two X-ray and Laboratory Technologist positions.
12. Dispose of excess supplies and equipment by sale, or donation to the County or to a public hospital.

WORKERS' COMPENSATION

13. Modify the internal organization of the Workers' Compensation Division as follows:
 - a. Combine civilian and sworn sections into one unit headed by one Principal Workers' Compensation Analyst.
 - b. Expand the Workers' Compensation Administrative unit by transferring a Principal Workers' Compensation Analyst position into the unit and assign it such tasks as system studies, changes, liaison with Data Service Bureau, and development of training and operations manuals.

- c. Combine the legal/awards processing activities and the bill paying/processing activity into one unit under the continuous supervision of one clerical position.
 - d. Differentiate between lost time cases and non-lost time injuries; assign all the non-lost time injury cases to a unit or individual.
 - e. Reassign to trained clerical personnel the duties associated with preparing the Memo of Injury by Telephone Report.
- 14. Require that all Duty Certificates issued by Workers' Compensation Division contain the return to duty date, be reviewed for accuracy and completeness and be signed by a supervising analyst.
 - 15. Require that all new Memo of Injury by Telephone reports be reviewed by supervising analysts to ensure that the appropriate duty certificates have been prepared and issued.
 - 16. As a first step in reducing the existing case load per employee, fill vacant Workers' Compensation Analyst positions and reassign field investigators to perform claims adjustment work.
 - 17. Redesign, format, and group the various forms now in use by Workers' Compensation to reduce the amount of handwriting and typing necessary to prepare a case file.
 - 18. Improve the filing systems by making changes including but not limited to the following:
 - a. Keep all case files in the Workers' Compensation Division; send duplicates of files or reports as needed or requested by the City Attorney, Pension Departments, or Medical Services.
 - b. Provide standardized folders sufficiently durable for repeated handling.
 - c. Establish and maintain charge out records to identify where all files are located and who has them.
 - d. Legibly label each file.
 - e. Explore alternate methods to identify files.
 - 19. Revise the current bill paying process, including award/legal processes by:

- a. Reorganizing the claims analysis and clerical bill paying activities into a unit operation in order to keep analyst and clerical personnel knowledgeable of expected treatment, services provided and bills paid on behalf of injured employees.
 - b. Placing the mailing address for the Workers' Compensation Division on the back of all employee identification cards; requiring that those cards be used by Workers' Compensation clinics, doctors, hospitals, etc. as the source document from which to create their records; and notifying vendors of this change.
 - c. Establishing a 20-day or shorter payment period (beginning upon receipt of the bill by Workers' Compensation) in which bills will be reviewed, processed, and a demand issued by the Controller.
 - d. Establishing an accounts payable system whereby a bill file will be established in each case folder.
 - e. Keeping all bill paying clerical positions filled; do not permit vacancies to exist until backlogs are eliminated.
 - f. Requesting the City Administrative Officer, in cooperation with the Data Service Bureau, the Personnel Department, and the City Controller to establish the criteria for a manual and a computer based accounts payable/audit system.
- 20. Prepare training and operating manuals for distribution and conduct training classes for current employees.
 - 21. Seek additional telephones, telephone numbers, and direct dial lines for the Workers' Compensation Analysts and bill payers.
 - 22. Conduct a classification audit for all clerical positions, and the Chief Personnel Analyst position and, if appropriate, reallocate them to appropriate classes in accordance with the findings of the classification study.
 - 23. Formulate, document, and implement supervisory reviews and approval systems whereby awards, advance permanent disability, temporary disability, duty certificates, etc. can be started only after review and approval by a supervising analyst or unit or division manager.
 - 24. Retain the services of an auditor (who specializes in workers' compensation case analysis) to periodically sample and evaluate the claims adjustment activities performed by

the Workers' Compensation Division and to report his/her findings to the General Manager.

25. Improve departmental liaison by instructing Workers' Compensation Analysts to deal politely and diplomatically with various City departments and employees; discuss and arrange to meet and explain the decisions of the Workers' Compensation Appeal Board to operating personnel offices and as necessary, coordinate or arrange for medical examinations for returning employees (who have recuperated from industrial injuries) or rehabilitation counseling and training should the employee be unable to resume his/her prior occupation; revise, update, expand and distribute the workers' compensation section of the Personnel Procedures Manual.
26. In cooperation with the City Attorney, prepare and conduct a seminar and develop written material for departmental personnel officers and their assistants describing the City's workers' compensation procedures, bill paying procedures, claims analysis and processing, identify responsibilities of the individual parties (City Attorney, Workers' Compensation Division, Medical Services, Operating Departments); once established, expand seminars to include discussion of trends, problem/solutions, necessary changes, etc.
27. Improve current operating relationships between Workers' Compensation, Medical Services and the Safety Office to:
 - a. Better utilize programming capabilities of the Safety Division.
 - b. Obtain treatment reports as required by the Labor Code.
 - c. Analyze drug purchases by and therapy provided to injured City employees to reduce treatment costs.
28. Establish a periodic medical review of the facilities and methods used to treat civilian employees by various workers' compensation clinics, doctors, therapists.

EMPLOYEE SERVICES

29. Develop a system to analyze information regarding unemployment payments provided to the City by the California Employee Development Department for verification that those receiving payments are eligible and for disseminating statistics on a regular basis to the City departments, the Mayor and the City Administrative Officer.
30. Continue to seek State legislation which would exclude intermittent City workers from eligibility for unemployment compensation.

31. In cooperation with the City Administrative Officer and the involved departments, devise a plan to reduce the number of seasonal employees collecting unemployment benefits.
32. In cooperation with the City Administrative Officer negotiate a contract with the Community Redevelopment Agency for the provision of health insurance which would provide for a fee for administrative services, enrollment processing and maintenance of membership data by the Personnel Department.
33. Transmit copies of suggestions (both adopted and non adopted) to the City Administrative Officer.

OCCUPATIONAL SAFETY OFFICE

Background

The Occupational Safety Office is a section of the Employee Services Division. It has little relationship with the rest of that Division, but rather, is more closely aligned in its activities and objectives with the Workers' Compensation and Medical Services Division.

The California Occupational Safety and Health Act of 1973 (CAL/OSHA) precipitated both an increased awareness of safety and the need to take actions in compliance with the State law. In an effort to insure uniform adherence to CAL/OSHA requirements and regulations, all City safety personnel (except Airports, Harbor, and Water and Power) were consolidated into the Personnel Department on July 1, 1973. This functional transfer involved seven positions: one from the Police Department, one from Recreation and Parks and five from Public Works. While this consolidation was intended to provide a focal point for development of safety programs, it did not relieve City departments of the obligation to insure job safety. Executive Directive No. 9 - New Series, dated July 17, 1974, places responsibility for safety upon department heads, as required by the California Occupational Safety and Health Act of 1973 (CAL/OSHA). Departments are required by the Executive Directive to comply with Federal, State and local safety statutes; to establish safety programs encouraging employee interest and participation; to designate a departmental safety coordinator; to provide safety training for personnel by supervisors; and to terminate any work process which the Occupational Safety Office indicates as an imminent safety hazard.

The Executive Directive places the Occupational Safety Office in the role of a service agency with the following duties:

1. Coordination with the State Department of Industrial Safety, including provision of information relating to compliance with CAL/OSHA regulations and technical support to City Attorney and City departments involved in adjudicating CAL/OSHA citations.
2. Technical assistance to departments for the development of effective occupational safety and health programs to promote safe and healthful work practices and environments.
3. Thorough and effective accident investigation and reporting procedures.

Current Operations

The Occupational Safety Office is in a condition of flux. The Safety Engineer, who was head of the office, retired in June 1978. The vacant position has not been filled since that time, and has in effect been occupied by the Chief of the Employee Services Division. Under this arrangement some changes in approach and methodology have been developed and are in the process of being implemented.

The staff is divided into six units, each headed by a Safety Engineering Associate, with five Safety Engineering Assistants and six Safety Engineering trainees divided among them. On a rotating basis, one Associate remains in the office to respond to telephone calls and other events. The Council-controlled departments and bureaus are divided among the six groups for continual review of safety matters. The engineers' activities include job safety studies, job site surveys, safety training, departmental safety committee meetings, research, consultation, accident investigation, employee counseling and report writing.

An examination for a new classification of Safety Administrator was in progress as the Audit was coming to a close. This new position would replace the vacant Safety Engineer position, and receive substantially higher salary. It is intended that this position will have a wider managerial role than the former Safety Engineer: it will assume responsibility for the industrial hygiene function and in general will have a management rather than technical focus, with a citywide responsibility to recommend policy.

Job Safety Analysis

The Occupational Safety Office prepares an annual report which lists injury frequency rates (number of disabling injuries per million man-hours of exposure), severity rates (number of days lost per million man-hours of exposures), and equivalent personnel lost (productive time in man-years lost). Reports issued since 1972 show a trend of increasing frequency and severity rates in most departments, with an overall increase in frequency for all civilian employees from 39.0 in 1972-73 to 50.9 in 1976-77. It has been determined that far more accidents are caused by unsafe work practices (approximately 80 percent) than by faulty equipment or hazardous work environment (approximately 20 percent). Most unsafe work conditions have been detected and corrected, but accident frequency and severity rates have increased rather than decreased over the past several years. In order to achieve a reduction in the accident rates, a change in approach is needed. A change which was in the process of implementation during the audit was the placement of greater emphasis upon the work practices and lesser emphasis on the work

environment. Adoption of this approach, known as human factor or job safety analysis, may effect improvement in accident prevention where the traditional "work conditions" approach has proved insufficient. The goal of job safety analysis is to discover and correct the causes of accidents. At this time it is too early to evaluate results. Its success will depend, in part, not only upon the thoroughness, objectivity and simplicity of the review by Safety staff, but also the responsiveness of department managers, supervisors, and employees to changes in current procedures.

Thoroughness may be achieved by concentrating the resources of the Occupational Safety Office on those departments and work situations which have experienced the highest injury frequencies and severities. This concentration would require the temporary diversion of the safety engineers from their regular tasks and assigning a team or task force to focus on the problem areas.

At the time of the Audit the various Safety Engineering Associates were developing their own programs for job safety analysis. To obtain objectivity and uniformity in their findings, the Associates should agree upon methodology and, as task force members, should utilize the same check lists in making observations and analyses. Although some sophisticated analytical techniques could be applied, simplicity is most desirable in the interest of making best use of the safety engineers' time and in communicating results to department managers and employees. (See Recommendation No. 2)

Collection and Analysis of Data on Injuries

Compilation and analysis of data on employee injuries should serve the purpose of identifying trends or types of injuries, classification of employees, departments affected and costs. Knowledge of these trends could provide the means to detect possible fraud and the basis for concentrated injury prevention programs in the form of worker observation (job safety analysis), counseling, supervisor training, employee training, and awareness among department heads of injuries occurring in their departments.

Employee injury data is collected and entered into the computer through the Workers' Compensation System and the Safety Subsystem. Data is entered into the Workers' Compensation System through information taken over the telephone by Workers' Compensation staff. In addition, for every injury, departments are requested to complete a "Report of Injury - Form 166", which fulfills CAL/OSHA requirements and, after coding by the safety engineers, serves as the source document for entry into the computer for the Safety Subsystem. Safety staff reports that with the exception of Fire and Police, half of the injuries are

not recorded on the 166 forms by the departments, and in many cases the forms are not correctly completed. Because of the incomplete 166 forms the computer file is incomplete, making it very difficult to compare and cross reference the Workers' Compensation System and the Safety Subsystem. In recent months a Safety Engineering Assistant has been devoting nearly full time in an effort to reconcile the systems and to produce accurate reports from the existing data.

The difficulties experienced are not an adverse reflection on the individuals involved, but rather are an indication that the information systems are unwieldy, both from the standpoint of input from the departments and interface between Workers' Compensation Division and the Safety Office. Until the system is revised, analysis will continue to require large amounts of staff time and the accuracy of reports will be less than ideal. (See Recommendation No. 3)

The Safety Office has been able to utilize the accident reports to isolate what kind of working conditions and or activities contribute to injuries. This analysis should be expanded to include such things as determining the stage of employment, or age, at which injury becomes more likely in strenuous work, and informing Workers' Compensation Analysts and doctors of apparent trends. The Safety Office's findings should then be used by the Personnel Department in structuring the City's Classification Plan to permit movement of career employees from physically demanding work to less strenuous work at the point in a career where injuries occur with increasing frequency.

Pre-purchase Approval Program

There have been instances where equipment, particularly various protective devices, has been found to fall short of CAL/OSHA standards, requiring that it be taken out of service. To avoid the cost of purchasing items which could later be found unsafe, the General Services Department allows two safety engineering employees to review requisitions for all safety equipment and some other related items prior to purchase. The safety engineers, with the assistance of the General Services, test requisitioned articles of equipment and chemical compounds for various safety related factors such as visibility, flammability, corrosiveness, and stress and impact resistance. Every article tested is recorded by means of an automated typewriter into a log of requisitions for future reference. The requisition review process takes from one day to several weeks, depending upon whether an article has been previously tested and the availability of alternatives. When a requisitioned article is found unacceptable, the department is notified and one or more safety-approved alternatives are recommended to the department. Safety engineering staff reports that, in general, departments are supportive of the review process, and that with few

exceptions agree to change specifications on purchase requisitions to comply with the safety engineer's recommendations.

Over 35 percent of the purchase requisitions reviewed in the past year have been disallowed by the safety engineer. It is estimated that the total value of the articles rejected is approximately \$100,000. This amount represents, in part, the value of merchandise which, if purchased, and later discovered to not meet CAL/OSHA standards, could have to be discarded. The value of the resultant prevention of injuries to employees cannot be measured.

Relationship With CAL/OSHA

One of the safety engineers is assigned as liaison to CAL/OSHA. In addition, the safety engineers individually consult with OSHA staff regarding interpretations of regulations as they relate to various work situations. The City has received very few citations from OSHA, which is attributed, by the Personnel Department, to the existence of the Safety Office. Many conditions which could be cited by CAL/OSHA are not cited, because the safety engineers are available to review complaints and make corrections without City employees having to complain to the State. In cases where citations are issued, City departments are required to contact their assigned City safety engineer, who will then be present at the time the citation is issued. The citation is often arbitrated on the spot, resulting in fewer and less severe citations.

Relationship With Departments

Although well received by many employees (particularly those in remote yards who appreciate being paid attention to), the safety engineers report an attitude of overall City disinterest in safety matters. Department heads are not highly supportive of the safety engineers, and in certain instances resist efforts of the Safety Office. Safety engineers report that safety-related training sessions often receive sporadic attendance.

The safety engineers report that employee discipline is a major problem, especially in Public Works. In cases where more vigorous supervision could detect and correct unsafe work practices, or where disciplinary measures should be taken, the safety engineers have observed the attitude among supervisors that disciplinary actions are futile, and would be reversed at higher levels. This attitude creates a level of apathy among department and bureau heads and the belief that "Safety won't do anything". Because of the perceived resistance from departments, the Personnel Department has not encouraged the Safety Office to "red tag" unsafe equipment or to prohibit work activities

considered unsafe. What needs to be resolved is the conflict between perceptions of departments and safety engineers on operating needs and related safety needs. The safety engineers acknowledge that it is their duty to create an interest in safety at all levels. On top of that, aggressive public relations-type support is needed from Personnel Department management to make all department and bureau heads aware of the positive relationship between safety and productivity. (See Recommendation No. 4) If logical education fails to bring about a more supportive attitude towards Safety, then either there is no logical support (and safety programs should be abandoned), or the departments want no suggestions from outside (and safety will have to be forced upon them). Apparently, even the inclusion at the Mayor's direction for each department of a safety measure of effectiveness has not yet convinced most departments that safety is a basic management responsibility.

One technique which has been quite successful is the counseling of injured employees. Such counseling ranges from monthly group counseling sessions with employees who are injured during the month to individual counseling in the Occupational Safety Office for employees who are injured several times per year. The individual counseling sessions have brought about noticeable reductions in the number of injuries among the counselled employees. The Safety Engineering Associates gave varying emphasis to the importance of counseling. Since this practice has had good results, counseling skills should be thoroughly developed among all of the safety engineering staff, and its practice encouraged. Successful techniques also should be passed on to operating department supervisors. (See Recommendation No. 5)

Relationship With Rest of Personnel Department

The safety function is quite different from that performed by the majority of the Personnel Department staff in the Personnel Analyst series. Because of this difference, some of the safety engineers express the viewpoint that they are separated from the mainstream of Personnel Department activities. This feeling of estrangement is also fostered by their separated location at the Central Clinic.

Other divisions which have goals akin to those of the Safety Office are the Medical Services Division and the Workers' Compensation Division. Within the Medical Services Division the duties of Industrial Hygienist are similar in nature to those of the safety engineers, in that he is concerned with providing a work environment free of hazardous agents which could cause illness or injury. Some of the safety engineering staff work quite closely with the Industrial Hygienist, sharing information and seeking his technical expertise for the purpose of maintaining a safe work environment. Unfortunately, some of the

safety engineering personnel cannot or will not work closely with the Industrial Hygienist, for reasons which can only be identified as conflicts in personality. This friction was built up over a period of years; positive steps are necessary to reduce the causes of friction and to promote harmonious and cooperative working relationships between the Industrial Hygienist and the safety engineers. The inclusion of both functions under the new Safety Administrator position represents a first step.

Accountability

Departments are responsible for safety of their employees. Many have expressed the sentiment that they have inadequate staff to provide safety programs, in part, because their safety staff was transferred to the Personnel Department. This complaint may appear to provide them an excuse for not improving the safety records for their departments, and it has led to the opinion by some that the City's safety program has not sufficiently benefitted from the 1973 functional transfer of Safety into the Personnel Department. Consideration has been given to the reversal of that transfer, in order to hold department managers more accountable for safety. We have concluded, however, that the transfer of safety engineering staff back to the affected departments will no more improve the situation than did the original transfer. Departments might become more actively involved with safety, but the benefits of shared resources, cooperation, information exchange, and detached objectivity would be lost in decentralizing the Safety function. There are variables, such as management attitudes, employee morale and overly generous Workers' Compensation provisions, which have their influence on both the frequency and severity of injuries, and which are beyond the control of any safety program whether centralized or decentralized.

Morale - Attitude

The safety engineers have expressed a noticeable interest in preventing employee injuries. They have expressed a desire to prevent pain and suffering and large costs to the City in terms of both lost time and medical expenses. Frustration was voiced at the lack of receptiveness among department heads and supervisors. Morale could improve significantly if the Personnel Department would communicate more strongly that departments are accountable, that all supervisors are responsible for injuries to their subordinates, and that adjustments to disciplinary procedures may be necessary.

Many of the safety engineering staff believe that insufficient training is provided, particularly for the Associates, who, due to the impact of their recommendations upon managerial decisions, should have training in management development. This may be desirable in an ideal situation, but is

not recommended in this Report due to funding realities. An alternative involving some cost to the employee is participation in the various evening management courses offered in the Civic Center.

MEDICAL SERVICES DIVISION

The Personnel Department's responsibilities are presented in six programs, of which the Medical Services Division participates in four: The General Administration and Support Program; Emergency Care Services Program which relates to providing of medical treatment and care to persons in jail or custody; the Personnel Selection Program for which the Medical Services Division performs the pre-employment physical examinations; the Occupational Health and Safety Program, which includes Medical Services Division involvement in providing medical care for persons injured on duty, periodic physical examinations, preventive medicine, physical fitness, obesity and alcohol/drug abuse clinic, and visiting nurse services.

General Administration And Support Program

Management

The Medical Services Division is headed by a Medical Director, assisted at the time of the Audit by a Physician III, acting as Assistant Director. Apparently the time of both of these physicians was devoted to administration; neither performed physical examinations nor saw patients on any regular basis. Each had a Junior Administrative Assistant (CETA funded) and a clerical assistant authorized, though at the time of the audit one of the Junior Administrative Assistant positions was vacant. One of the Junior Administrative Assistants and a Clerk Typist, using a magnetic card typewriter, were almost entirely utilized to write, rewrite and type Medical Services Division Procedures, a form of operating instructions.

According to the Organizational Chart for the Department of Personnel, the Medical Director reports directly to the General Manager of the Personnel Department; however, it was determined that the Medical Director actually reports to one of the Assistant General Managers, at least on day-to-day business, and has access to the General Manager on policy matters. The Medical Director attends to developing overall policy, specifies procedures, and represents Medical Services externally, as in serving on the City's Civil Defense and Disaster Board, while responsibility for directing the internal operations of the Division has been delegated to the Assistant Director.

According to the organization chart all the administrative services and nursing services sections report to the Assistant Director (a Physician III) who is the head of Occupational Health, Workers' Compensation and Emergency Custody Care activities of Medical Services. The Physical Examination Program section has been headed by a second Physician III.

An Executive Assistant Medical Services heads the Administrative Services Section and serves in a staff capacity to the Physician III in scheduling for the staffing of the Custody Care (Jail) Section. In view of the availability of this position for providing administrative management services, it appeared that authorization of two physicians solely for management duties was excessive. The Department has subsequently placed the Physician III position in charge of Workers' Compensation Medical Services, thereby improving the situation.

Administrative Services

This section is headed by the Executive Assistant Medical Services, a non-medical position. Services provided include budget preparation and control; statistics and special studies; purchase, warehousing, issuance of supplies and equipment; responding to subpoenas for records; preparation of demands for payment to contract hospitals for examination of arrestees; building maintenance and custodial work; and maintenance of medical records of examinations and treatment administered by the Medical Services Division.

A general impression gained was that the Division was overstaffed for the volume of work assigned, even though some positions were vacant. Subsequent Proposition 13 reductions, when permanently implemented, should rectify the staffing excess somewhat. It was also noted that one Junior Administrative Assistant and three clerical employees were authorized and assigned under the direct supervision of the Director of Medical Services, while one Junior Administrative Assistant and one Senior Clerk Stenographer were under the direct supervision of the Assistant Medical Director.

The overall effectiveness of the Medical Services Division could be enhanced by better utilization of administrative resources if all administrative and clerical staff (including CETA) were assigned to the Administrative Services Division and that Division charged with providing administrative support to all of Medical Services. Such an arrangement would not preclude dedication of a position to serve as secretary to the Medical Director. (See Recommendation No. 10)

A tour of the facility at 1401 West Sixth Street revealed supplies and equipment which are not needed, or not needed in the quantities on hand, for the out-patient type of medical treatment now practiced by the Medical Services Division. The City should dispose of the excess of such items before they deteriorate, suffer damage, are lost or become obsolete. It might benefit the City to donate usable items to the County, or to a public hospital. (See Recommendation No. 12)

The building which houses the Medical Services Division is configured as a hospital and is equipped to provide emergency treatment and hospitalization. With the termination of hospitalization services in 1970 and the diminishing number of staff members, the space is now poorly utilized. The large grass area in front of the building is being used as a park by local residents. If the diminishing number of City employees makes it possible to relocate medical and safety staff to the Civic Center area in the future, the property might be sold or made available for an alternate City or public use.

Emergency Care Services Program

This program is to "Provide medical treatment for prisoners and persons in custody in City Jails and elsewhere." The program encompasses providing medical staff at Parker Center and at Van Nuys to examine and treat arrestees. An example of the potential workload is illustrated by the following:

	<u>Actual 1976</u>	<u>Actual 1977</u>	<u>Estimated 1978</u>	<u>Estimated 1979</u>
Emergency cases treated at City facilities (prisoners and persons in custody)	73,355	72,775	86,520	80,000
Total Arrests	247,697	233,743	196,111	196,111

The City anticipated that the County would assume the jail function in FY 78-79, and the initial version of the City Budget reflected a related reduction in Police and Medical Services staffing. In late 1978 the Police Department opposed the jail consolidation, funds were restored and the City continues to operate its own jails.

The Court Order in the 1978 Sundance v. Municipal Court case granted injunctive relief and required substantial changes in the quality of transport, processing and incarceration of persons arrested under Section 647f of the Penal Code (intoxicated or under the influence in a public place). Specifically relating to Medical Services were the requirements that:

- a. Each arrestee must be screened and evaluated by a person trained to recognize a necessity for medical care (not necessarily a doctor or a registered nurse, though the City has elected to use doctors and nurses). The person must work under the operating supervision of a physician. The examination is (1) for conditions other than intoxication in severely inebriated persons and (2)

for conditions arising out of the detoxification of alcoholics.

- b. The screening and evaluation must be accomplished prior to or in conjunction with booking and as soon as possible upon intake at the jail facility, but in no event more than one hour thereafter.
- c. The purpose of the screening is to determine if medical conditions, disease or disorders exist, other than or in addition to acute intoxication, and to determine to the extent possible if medical care made necessary by the withdrawal is likely.
- d. The screening must be performed with the services and advice of a physician available to the screener and must include the ability to perform or obtain through a physician any diagnostic tests that are medically advisable including determination of blood alcohol content.
- e. Holding tanks must be checked at least hourly by a medically trained person as to those arrestees who apparently, by reason of their state of consciousness, or other apparent medical requirements including medical care made necessary by withdrawal, need to be monitored periodically.
- f. Adequate provisions must exist for transfer of the arrestee to a medical facility, if needed.

The foregoing resulted in doubling of the medical staff at Parker Center and at Van Nuys. Drunks arrested elsewhere in the City are examined at contract hospitals, and if medical attention is indicated they are either released, booked into a County medical facility, or booked into Parker Center or Van Nuys, as appropriate to their medical condition.

Because of the proximity of Skid Row to Parker Center the number of drunks booked into Parker Center is substantial. Further, their physical condition is often poor, and they require some medical attention. Because drunks are normally released after four hours, they may be arrested a second, and on occasion a third time, on the same day, each time requiring medical compliance with the Sundance provisions. Until such time as the County provides detoxification centers for treating of drunkenness as a medical problem it will be necessary for the City to continue to cope with the problem at Parker Center.

It seems that adequate medical staffing at Parker Center could normally be provided by two persons, and by three at peak periods, a physician and two nurses, or a physician, a technician

and a nurse, or a physician, a paramedic, and a nurse rather than two doctors and two nurses. The workload is intermittent and the staffing should be scheduled accordingly. Further, we are advised that arrests for public drunkenness fell by about 40% for calendar year 1978. With the experience which has been gained since the Sundance adjustments were made, it now appears that having two doctors and two nurses at Parker Center around-the-clock is excessive. (See Recommendation No. 7)

Personnel Selection Program

The Medical Services Division performs pre-employment physical examinations of persons selected for employment by the City, and a useful screening process results for classifications involving strenuous physical or mental demands. Because Appointing Authorities usually elect to employ persons in sedentary positions even if they are technically medically disqualified, the primary value of the pre-employment physical examination is that the record of the examination may protect the City from future liability for pre-existing physical conditions.

The applicable statistics are as follows:

	<u>Actual 1976-77</u>	<u>Actual 1977-78</u>	<u>Estimated 1978-79</u>	<u>Estimated 1979-80</u>
Pre-employment Physical Examinations Performed	4,730	8,156	2,600	4,500

The basis for administering physical examinations is Charter Section 103 which indicates employment examinations "...when appropriate, shall include, or exclusively consist of, tests of physical qualifications, health and manual skill." The requiring of a medical examination appears to be discretionary, and certainly the composition of such an examination is discretionary.

The need for pre-employment physical examinations should be reviewed and evaluated. It seems likely that the practice of physically examining all employees is unnecessary. It might be sufficient to physically examine only those whose duties will, or may, require a demanding physical exertion which could lead to injury, for example, police officers, firefighters, paramedics and maintenance laborers. On the other hand, persons employed in sedentary work, which would include clerical and administrative workers, are less likely to become injured on the job, and probably not to the degree that they will be unable to perform their duties. For this latter group, those in sedentary work, the City's future liability would probably be sufficiently protected by requiring prospective employees to complete an extensive medical history questionnaire prior to their actual

appointment to City employment, and by the City gaining access to private physician medical records upon the filing of claims against the City for what may have been a pre-existing or off-duty incurred condition. (See Recommendation No. 9)

It is likely that a computer sort of injuries by job classification, or groupings thereof, would produce information which would be useful in clarifying whether or not the physical examination is worthwhile.

Occupational Health and Safety Program

The major portion of the medical treatment activity provided by the City is through this program. The Description from the Detail of Department Programs is as follows, with emphasis added to identify those activities performed by the Medical Services Division.

Administer the safety program; Workers' Compensation, including rehabilitation program and first call treatment at City facilities; and the occupational health program, including periodic physical examinations for police officers, firefighters and executives, physical examinations for placement and assignment other than pre-employment, preventive medicine and physical fitness programs, obesity and alcohol-drug abuse clinics, visiting nurse services and health counseling. Administer employee benefit programs subsidized by the City including medical and dental health insurance.

The Indicators of Workload which apply to the Occupational Health and Safety Program activities of the Medical Services Division are listed below for reference in regard to the evaluation of Medical Services.

	<u>Actual 1976-77</u>	<u>Actual 1977-78</u>	<u>Estimated 1978-79</u>	<u>Estimated 1979-80</u>
Periodic physical examinations	4,847	4,629	1,300	800
Rehabilitation nursing visits	3,969	3,423	3,800	3,800
Cardiac Clinic visits	2,175	1,273	1,150	1,150
Orthopedic Clinic visits	607	714	550	550
Alcohol-drug abuse clinic visits	3,742	5,500 (est)	--	--
Physical therapy treatments	33,106	26,800	24,400	24,600

This Program, under the overall supervision of a Physician III, is carried out in various sections of the Medical Services Division, as discussed below:

Physical Therapy

The statistics indicate that approximately 100 employees receive physical therapy at the Medical Services Division each working day.

Treatment is administered by two Physical Therapists to employees who are injured on the job and for whom therapy is prescribed by a City or Workers' Compensation physician. The Physical Therapy facilities are clean and orderly. The equipment is old but well maintained, and according to staff the equipment is quite adequate for the treatments given.

This Section appears to operate efficiently, with high productivity, having competent and enthusiastic therapists whose concern for and rapport with patients was obvious.

Industrial Hygiene

The Industrial Hygienist reports to a Physician III. Two technicians who were to be added in FY 78-79 were not, as a result of budget reductions necessitated by passage of Proposition 13.

The Hygienist surveys employees' work environment to identify hazards to health and to make corrective recommendations. Such surveys include physical layouts, equipment used, chemicals present, transportation and storage control, measurement instruments, etc. The work is closely related to the work of the Safety Office and is important in the avoidance of conditions which might otherwise result in injuries, illnesses, workers' compensation claims and costs to the City.

Indications are that the major findings of the Industrial Hygienist are not sufficiently reviewed by top management, and especially those findings which indicate the existence of conditions which may contribute to "cumulative trauma" or physical injuries to enough City employees to make it an expensive proposition for the City. A specific example cited was the level of noise to which some City employees are subjected, which, according to the Hygienist, will over a period of time cause compensable hearing losses. Because this is a specialized area, one which involves the medical, safety, and engineering fields, and an area where the magnitude of the potential financial risk should be evaluated against the preventive costs, it should be a major area of interest to the General Manager of the Personnel Department who is, ultimately, responsible for advising the Mayor and the Council as to the

implications of the health and safety conditions under which City employees work.

The close relationship of the safety and industrial hygiene functions, is recognized under a pending reorganization. Better utilization of the Industrial Hygienist should occur when the two functions are combined.

X-Ray and Laboratory Services

This Section is headed by an X-Ray Laboratory Technician II, with five other positions authorized. (Budgetary reductions and the accompanying reduction of physical examinations given are expected to reduce staffing.)

The X-Ray and Laboratory Services Section processed about 60-70 X-rays per day before the 1978 moratorium on employment and the severe curtailment of periodic examinations. The workload dropped to 3 to 5 per day during July-August but will increase concurrently with the reinstitution of some level of periodic physical examinations. The work of this Section is predicated upon the intermittent demands from the cardiac, orthopedic, obesity clinics, and work resulting from treatment of injuries.

The related laboratory work is also done in this Section, except for blood samples which are now sent out to a laboratory for analysis.

Examination Section

This Section, headed by a Physician III has a Periodics Unit which performs periodic physical examinations of police officers, firefighters and key City executives. The Proposition 13 reductions resulted in a substantial reduction of the level of service offered, primarily in the frequency of examinations. The unit's activities include cardiac stress testing, and special examinations to determine work fitness. A Health Maintenance activity, specializing in health education for police officers and firefighters, was discontinued.

The concept of periodic physicals has long been encouraged by medical associations to individuals as a preventive measure, to employers as a means of reducing disability claims and to protect the health and longevity of key executives, engineers, or scientists whose well-being is critical to the success of the company.

If we accept the effectiveness of what are usually rather routine physical examinations of well patients as a detector of a condition, or a pre-condition, and that early detection saves the employee from disablement or death, the

practice may appear worthwhile. However, as a practical matter, the relative costs should also be considered. It is also relevant to note that the City, like most major employers, provides a very adequate health insurance program for employees under which a periodic routine examination may be performed at little or no cost to the employee, depending upon the features of the plan selected by the employee.

Serious consideration should be given to totally discontinuing the periodic examinations of City employees. Certainly the concept of "indispensable man/woman" is not relevant in a largely civil service staffed system where the Charter requires maintaining of a list of eligibles for every classification. While the death or disablement of a key executive would be regrettable, and perhaps result in some temporary problems, the loss would not be crucial to the operation of City government.

The case for discontinuing periodic examinations of police officers and firefighters, the large majority of whom enter City employment at a young age and retire about 25 years later while less than 50 years of age, is also worth considering. First, medical care is readily available to employees injured on the job, and at no expense to the employee. Further, the State Workers' Compensation law "presumes" work relatedness of several common health ailments (pneumonia, heart disease, hernia, tuberculosis, etc.), which an objective person would believe could be at least as easily incurred in a non-work situation, but in the case of police officers and firefighters, the City must provide medical treatment and perhaps a cash compensation award. Finally, police officers and firefighters, through participation in physical fitness programs, presumably engage in at least enough physical exertion to maintain general physical fitness for their general duties.

Interesting to note is the October 31, 1977, Arthur Young and Company report to the Board of Pension Commissioners of the City of Los Angeles on the costs and impact of improving cardiovascular medical care to firefighters and police officers in the City of Los Angeles, the Summary of Approvals, Findings and Recommendation of which states:

...It has been suggested that improved medical care for firefighters and police officers could reduce the City's total cost of disability pensions.... This study was restricted to identifying the costs and impacts of improving medical care as it relates to cardiovascular disabilities. It was felt that insufficient medical evidence exists at this time to link preventive medical procedures to future incidences of other frequent types of major

disabilities, such as orthopedic or psychiatric conditions.....

Significantly, the study found that an improved medical program estimated to cost \$400,000 a year would reduce City costs by only \$100,000; the City would have to spend \$4 to get \$1 in return.

As indicated earlier there is no compelling reason to believe that periodic physical examinations are effective in preventing future illnesses or injuries. This belief was substantiated by Medical Services Division staff who indicated that periodic examinations, and especially of younger employees, are not cost effective and are of less medical value now because of liberal medical insurance benefits which enable employees to have good medical care. This belief is further substantiated by the Medical Services Division initially discontinuing almost all periodic examinations after the passage of Proposition 13, reducing the number performed daily from about 70 a day on days scheduled to three or four. Because of these actions, a recommendation in this Report regarding discontinuing these examinations would be redundant.

Clinics

The Workers' Compensation Clinic, the Orthopedic Clinic, the Cardiac Clinic and the Rehabilitation Nurses exist primarily to provide medical care and services to employees injured on duty, and more particularly to employees and former employees who are undergoing rehabilitative or health care related to an injury or condition for which a Workers' Compensation or disability award was made. There seems to be general agreement that the services of the clinics are beneficial, although the medical services could be provided by private physicians and clinics.

The Pharmacy's primary purpose is to support the Emergency Care Services program, sometimes referred to as "jail medicine". Though it would be possible to provide medical care in the jails without a pharmacy, as a practical matter the pharmacy seems to be a necessity so long as the City operates jails. An ancillary benefit is the savings realized by the City in providing medicines to City employees with job related injuries or illnesses, and to former employees entitled to medical care. Unfortunately, this saving has not been fully realized because of deficiencies in management of the Workers' Compensation program. This matter and suggested corrections is discussed in detail elsewhere in this Report.

Alcohol-Drug Rehabilitation

The Alcohol-Drug Rehabilitation Clinic, formerly staffed by a Nurse and a Personnel Analyst, was for all practical

purposes discontinued as a post-Proposition 13 adjustment. The only service now rendered is to refer City employees to an outside agency for assistance and to notify the employee's department of the referral. Any follow-up must be done by the employing department. The nurse was reassigned to the Jail, and the Personnel Analyst is working on special projects for the Medical Director. Although the Personnel Analyst does some work in connection with alcohol-drug referrals, he is primarily engaged in work which does not seem to be appropriate to the Personnel Analyst classification.

In view of the widespread use of alcohol and drugs in our society, the elimination of an aggressive program for providing assistance in the rehabilitation of City employees from the effects of alcohol and drugs appears to be a questionable decision. Nevertheless, if the City's efforts to cope with alcoholics and drug users is to be operated on a decentralized basis, the Personnel Department should advise all departments accordingly and disseminate sufficient written "do-it-yourself" instructions as to how the departments might best structure a decentralized program. (See Recommendation No. 8)

WORKERS' COMPENSATION DIVISION

Background

The basic philosophy behind workers' compensation legislation is that government and industry should provide their employees with protection against the effects of industrial injuries as a cost of government or as a cost of doing business. This protection, as specified within the California State Labor Code, is provided without regard to the fault of any person. The State Labor Code establishes the minimum level of protection to be provided injured employees. Included are such items as medical treatment, temporary disability payments in lieu of regular salary, ratings of permanent disability and corresponding monetary awards, and death benefits. As with most State laws, the Labor Code establishes certain minimum levels of protection that may be exceeded by the employer. Under the Labor Code the most an employer is required to pay an employee is \$154 per week as a temporary disability payment. The City of Los Angeles has exceeded the State mandated minimums by establishing higher temporary disability rates for civilian and sworn employees (either 90% or 100% of total regular salary) and by allowing temporary disability payments to begin immediately after injury without the three-day waiting period specified by the State.

Concurrent with this Audit, the Mayor's Advisory Committee on Disability Pensions and Related Matters examined the impact of State Labor Code on the City, as well as its pension and retirement systems, and costs associated with injuries sustained by employees. In its report issued on November 16, 1978, the Advisory Committee recommended a series of State Labor Code revisions that, if adopted, could lower City worker compensation costs. These recommendations include City support of legislation to:

- a) Change the "liberal" construction of the law to "fair and equitable".
- b) Repeal the provision that presumes that heart disease, hernias, pneumonia and tuberculosis are employment-caused for firefighters and police officers.
- c) Delete the "cumulative trauma" concept.

Other Advisory Committee recommendations propose that the City's ordinances be modified to lower the current temporary disability rates for civilian and sworn classes from 90% and 100% to a point that will neither penalize nor give an employee a bonus for being off work..

City Benefits and Disincentives for Return to Work

A sampling of some private employers who contribute to the annual City benefits survey indicated that many employers permit their employees to use their accumulated sick leave to supplement the State-required minimum payment should they be injured in an industrial accident. Once the sick time is exhausted, the employee receives only the State rate.

The City of Los Angeles treats its employees liberally to prevent hardships as the consequence of suffering an industrial injury. This takes the form of providing a very generous salary continuation payment at either 90 or 100 percent of regular salary, not requiring a waiting period before benefits begin, and not requiring the use of sick pay for industrial injuries. Because any salary continuation payments to injured employees are exempt from federal and state income taxes, most City employees receive more take-home pay while injured than when healthy and working. This provides an injured employee with an incentive to remain off-duty.

It is clear that incentives are needed to encourage some injured employees to return to duty as soon as they are physically able. In order to provide such incentives, City Worker's Compensation rules and policies must be changed. A number of alternatives have been considered. These would be subject to the meet and confer process and are listed below:

- 1) Revise the City Administrative Code to specify that the State Labor Code mandated rates for temporary disability payments will be the City's rates.
- 2) Revise the City Administrative Code to specify that an injured employee will receive the same biweekly take home pay while recovering from an industrial injury as was received prior to the injury.
- 3) Revise the City Administrative Code by adopting the current State rate as the City's rates and allowing the use of accumulated sick time as a supplement. Since sick leave payments are taxed as ordinary income, the income of injured employees would be lower than the current Worker's Compensation payments, but still slightly higher than when they are on regular full time duty. The depletion of sick time would serve as an incentive for return to duty.
- 4) The City's Administrative Code should be revised to provide a three-day waiting period (as provided in the Labor Code) before temporary disability payments begin. At the same time, the sick time definition should be

revised to allow the use of sick time for salary continuation during those three days.

Alternative 4 above, represents our view of the best resolution to eliminating the disincentives for returning to work. (See Recommendation No. 1)

Organization of the Workers' Compensation Function

The current organization of the Workers' Compensation Division has evolved gradually as the Department sought to carry out its workers' compensation activities. Discrete areas of activity include a claims analysis and adjustment function (for sworn and civilian employees), a separate medical bill paying section (composed of bill paying and bill processing units which pay medical, drug, therapy and similar bills), a separate bill paying function called "award processing" (which processes such payments as advanced permanent disability, permanent disability, life pensions, medical bills specified in an award), a generalized clerical section for file preparation and maintenance and typing and a rehabilitation unit.

As the Workers' Compensation Division has grown, certain processes have become fragmented. This is due, in part, to the separate Data Service Bureau, the separate check issuing function maintained by the Controller's Office, and the separate City Attorney who pursues the legal end of Workers' Compensation activity. Other fragmented activities involve functions that are entirely within the Personnel Department. For example, Medical Services, Safety, and Workers' Compensation activities are conducted in separate divisions under separate, and for the most part, uncoordinated supervision. The fragmentation goes further and is even more evident within the Workers' Compensation Division itself. For example, there exists little coordination among the sections that process the claims, pay medical, hospital and therapy bills and awards. At any point in the claims process, it is difficult to determine the status of a case or claim without an inordinate amount of research and effort. The following is descriptive of what was taking place in the Workers' Compensation Division at time of the Audit, what has contributed to or caused the processes to be as they are, and what problems result for injured employees, their doctors, and other City agencies.

Workers' Compensation Claims Process

Within the framework of State and City laws, should a City employee (civilian or sworn) be injured on the job or suffer an injury that could be attributed to his/her occupation, the following events would occur:

1. After the injury the civilian employee or his/her supervisor would contact Workers' Compensation for a referral to a medical facility, obtain a Workers' Compensation case number and provide some general information regarding the injury, and how it occurred. Firefighters and Police Officers would contact their respective department's medical liaison office for referrals and a Workers' Compensation case number.
2. The employee would then go to an industrial clinic, emergency room or other facility for first treatment.
3. If the first or emergency treatment indicates that the employee will have to be off the job, temporary disability payments will be paid by the City for the period of disability beginning the first full day after the injury. If no time loss is involved, the employee would return to duty. Temporary disability payments are paid out of departmental salary accounts.
4. If extended treatment is required, that treatment would be provided by the clinic which provided the initial or first care or by another authorized facility suggested by the City near the employee's home, or, after 30 days, by another physician or specialist of the employee's choosing. Extended treatment would provide what is necessary to treat the injury, including therapy, medication and corrective appliances to restore the employee to as healthy a condition as possible so that he/she can return to work. In cases where an employee cannot be restored to a physical condition existing before the injury, the employee would be treated to that point where the condition is declared to be permanent and stationary (not likely get worse nor better).

Worker's Compensation Division Activities

During the above cycle of treatment and/or payment of temporary disability, the activities of the Workers' Compensation Division staff should include the following claims adjustments and coordinating activities:

1. Determine whether the injury is job related (except for Police and Fire sworn).
2. Evaluate the seriousness of the injury.
3. Make appropriate referral for the required medical care.
4. Authorize the payment of temporary disability (via the duty certificate).
5. By reviewing the emergency and first care reports, treatment progress reports and some bills for medical

treatment, seek the treatment necessary for the employee to be declared permanent and stationary (at which time the temporary disability payments end) and the employee returned to work.

6. Estimate the percent of permanent disability suffered and begin advance permanent disability payments.
7. Estimate return to work dates.
8. Provide the employee's department (particularly the payroll section) with duty certificates and any other needed information relating to the employee's current status.
9. Answer questions associated with the injury, available treatment and benefits.
10. Provide information to the City Attorney if a claim is filed with the Worker's Compensation Appeals Board for permanent disability.
11. Provide interface with the injured employee, his department, the emergency treatment facilities, specialists, therapists, City doctors, the City Attorney, the Data Service Bureau and the Controller.

The Audit found that the City's processes are not accomplishing these activities with a reasonable degree of effectiveness and efficiency.

Problem Areas

The following problem areas in the process were noted during the Audit and require corrective action.

Duty Certificates

Discussions with City departments indicate that there is a problem in receiving adequate information about injured employees and obtaining duty certificates on a timely basis to justify the Injured On Duty (IOD) payroll status. Several large departments have indicated that duty certificates may be completed by either the Workers' Compensation Analyst or the treating physician. This results in confusion if duplicate certificates are issued. The duty certificate provides official documentation that an employee is to be off or on duty. However, payroll time sheets are prepared in the field by supervisors or timekeepers. Although duty certificates must serve as the basis of the IOD status, field personnel often check the IOD column without having the duty certificate. This results in confusion in payroll and over payment of temporary disability.

Some payroll offices in the City are unable to keep track of how long an employee is on "IOD" for each of the injuries suffered. Further, there is no periodic review of the various open lost-time cases by Workers' Compensation Division to determine if the initial duty certificate is still effective. Resulting problems include: temporary disability payments in excess of the one year period permitted by the Administrative Code; "post-dated" duty certificates which specify that an employee's IOD status should have been changed several weeks before; and incomplete duty certificates which lack the termination date of the "IOD" authorization. Consequences of the duty certificate problems are overpayments to employees, confusion for departmental personnel and payroll divisions, and a good deal of antagonism between Workers' Compensation Division staff and the staff of various departments.

The most reasonable available solution is to require that all duty certificates issued by Workers' Compensation Division contain the "return to duty date" and be reviewed for completeness and be signed by supervising Principal Analysts. (See Recommendation No. 14.) Further, all new injury reports and files should be reviewed by the supervising Principal Analyst to insure that duty certificates were prepared. (See Recommendation No. 15.) If this does not correct the problems, the authority to issue duty certificates should be transferred to the appointing authorities in the various City departments.

First Report of Injury

Presently, City Claims Analysts are handwriting the Memo of Injury by Phone report. This involves filling out a form in longhand, obtaining a case number from a log book, listing the injury in the log and then referring the employee or supervisor to a medical facility for first care. The workload is approximately 50 cases per day. This recording of information should be performed by trained clerical personnel. This would free the equivalent of at least one analyst position to adjust claims and reduce the case load per analyst. If the clerical process of file preparation (described below) is simplified, it is conceivable that no new clerical staff would be required to complete the Memo of Injury reports. (See Recommendation No. 13e)

File Preparation

After a "Memo of Injury by Phone" (PDAS 58) is partially filled out by the Claims Analyst, clerk typists use that memo to prepare a case folder (file). A typist completes: any blanks on the memo; the required information on a Workers' Compensation Expense case form (PDAS 6); an identification (IBM) card; an envelope addressed to injured employee and a file label. Much of the information initially recorded on the Memo of Injury form

is separately typed on the other forms, cards, labels and envelopes.

To reduce the amount of manpower needed to take a Memo of Injury and prepare the case file, the forms in use should be redesigned, formatted and grouped into form sets with carbon interleaving and reassigned to the clerical unit. It would then be possible for a clerk typist to take and type the injury report while on the phone, refer an employee to a medical clinic and prepare a case file with little or no repetitive typing. (See Recommendation No. 17)

File Maintenance

The Workers' Compensation case files prepared after an employee has been injured include relevant information regarding treatment, progress, and paid bills. Should the employee file a claim with the Workers' Compensation Appeals Board, the file is physically transferred from Workers' Compensation to the City Attorney's Office. This transfer prevents analysts from maintaining control over Workers' Compensation cases. When telephone calls requesting information come from departments or doctors, Analysts are not able to answer questions, review treatment or progress reports before authorizing the payment of bills or additional care, because the file containing all the information is in the City Attorney's Office. By allowing the files to leave Workers' Compensation, the claims adjustment process on these cases has been weakened to the point of being almost eliminated.

The current practice of sending Workers' Compensation case files to the City Attorney, Pensions, or Retirement should be discontinued. These files must remain in Workers' Compensation for daily use. If other agencies require information from these files, photocopies should be provided. (See Recommendation No. 18a.)

The filing system in Workers' Compensation has not improved substantially since the last audit. The files are still maintained in flimsy envelopes, charge out records are not used to identify where files are located and who has them, files are stacked randomly in every office in Workers' Compensation thus making it a time consuming ordeal to locate a case file. (See Recommendation No. 18)

The existing filing system is keyed to employee name. While this system can be understood by a new file clerk with little training, it appears to lengthen the amount of time required to locate and refile cases, because there are numerous employees with the same first and last names, and clerks must use a secondary identifier when identical names are encountered. A

workable solution to the misfiling problems as well as case identification may be to consider the use of the Social Security number as the basic identifier. Sub-identifiers using injury date or some other number system might also be useful. For instance, a Social Security number would constitute the first part of the case identifier and then the date of a subsequent injury would be the identifier for the subsequent case. Several other agencies, including the Department of Water and Power and the State Fund, use a numeric system satisfactorily. The conversion to this system, however, would be a monumental task. Depending on when and if a modern computer system is to be developed, file identification should be a major issue. Resolution of the file identification issue would determine whether a changeover of existing files would be cost effective. (See Recommendation No. 18e.)

Bill Paying and Processing

The process by which bills are received, reviewed, authorized for payment, and processed through the City computers is a critical part of the claims management process. Unfortunately, the amount of time to do the appropriate analysis and review of medical bills and treatment is too limited. To adjust to a rising workload, procedures in the Department were modified to allow bills for less than \$350 to be approved for payment by a clerk, with payment of bills in excess of that sum approved by a claims analyst. This policy is not consistent with the claims management process followed by the private sector. The State Fund does not follow this procedure, but instead requires that bills for both medical only cases and for the treatment of lost time injuries be approved for payment by claims adjustors. To insure proper and timely case reviews, to insure that the medical services provided were consistent with the injury and diagnosis, and to maintain a degree of control and knowledge about each Workers' Compensation case, claims analysts should not be separated from the bill payment process. (See Recommendation No. 19)

Late Bill Paying

Tremendous backlogs of unpaid bills have accumulated in the Workers' Compensation Division much to the displeasure of the staff, the injured employees, hospitals, doctors, therapists and druggists. A number of factors contribute to the backlog, some of which are not totally under the control of the Workers' Compensation staff. The following is a brief analysis of the factors contributing to late payments:

a. Misinformation

Medical bills are sent to the wrong City address, list incorrect social security numbers and contain other inaccuracies that delay payments. City employees may give the provider of treatment the address of their yard, station, or office as their employer's address instead of the address of the Workers' Compensation Division. Bills are sent to various City facilities, and up to four weeks may be lost in the payment process. Additional time is lost if the social security number is incorrect and/or the name is not properly spelled. This could be minimized if employee identification cards were given as the source document for first and subsequent treatment to insure the proper spelling of the employee's name, a Social Security number, and the billing address for the Workers' Compensation Division. This information should be listed on employee identification cards. (See Recommendation No. 19b.)

b. "Aging" of Invoices

Bills received are alphabetized and are placed in a holding file pending receipt of an updated microfiche containing a listing of bills previously paid or authorized for payment. As much as three to four weeks pass between payment authorization and the production and distribution of microfiche. In order to avoid paying the same bill more than once, the most recently received bills and invoices have been held in the "holding file" until the newest microfiche is received.

Our review of procedures used by other agencies indicates that bills must be paid or "cut" (reduced to conform with accepted fee schedules) before a second invoice is generated by the vendor. This means that bills must be opened and referred to analysts upon arrival, authorized for payment within 10 days of receipt so that a check could be issued and mailed within 15 to 25 days of receipt. (See Recommendation No. 19c.)

c. Multiple reviews

To avoid paying a bill more than once, and to avoid having to wait for a current microfiche to be received, copies of recently paid invoices are kept on file in the Billing Unit. Before a new bill or invoice is paid, this bill file is normally reviewed to see if a payment was previously authorized, and the invoices compared against the current microfiche. The double review, comparing a bill against file copies of bills and against the microfiche may help to reduce errors but it also slows the payment process and reduces employee productivity. A single, accurate reference file is

necessary for efficient and timely bill paying. If the computer generated microfiche file can no longer be considered accurate, or is received so late that payments are delayed, then the bill file should be used and not the microfiche. (See Recommendation No. 19d.)

d. Vacancies

During the past year, there have been several relatively long-term vacancies in the billing unit due to normal attrition and sick leave. These vacancies were not immediately filled, and bills that accumulated at a vacant bill paying station remained unpaid for relatively long periods (4 to 6 weeks). As vacancies were filled, the new clerical personnel had to be trained. The rate at which bills were being paid decreased as experienced staff were diverted to training duties. This appears to have been resolved during the course of the Audit, however, the experience indicates the need for prompt filling of vacancies to avoid future recurrences.

e. Processing an invoice after it is authorized for payment

After an invoice has been authorized for payment, it must be "processed." This involves preparing load sheets by hand, batching the invoices into groups of 400, alphabetizing the invoices by vendor name and employee name, computing the total dollar amount of the batch, sending the adding machine tape and batch to the Controller's Office for comping. The batch is returned to Workers' Compensation for correction of any errors, and then sent to the Data Service Bureau for key punch and entry into the computer. When entered into the computer, the payment information on keypunched cards will be compared against payments already made or authorized. The resulting computer print-outs will indicate if the load sheets/keypunch cards were correctly formatted. An error message will describe what is wrong and will identify and reject any proposed payment should the treatment or service date coincide or overlap with the date of service of a previous payment. Any minor formatting errors can be corrected by preparing a new keypunch card or a new load sheet which would be resubmitted to the Data Service Bureau in another batch. Eventually, a payment register is produced from corrected cards and is reviewed against the original invoices to insure that the name, address, and invoice/payment amounts are correct. The corrected register, card decks, and original invoices are then delivered to the Controller. The Controller's staff reviews the register and invoices for accuracy. Controller identified corrections are made by Workers' Compensation staff if possible; otherwise the proposed payment is rejected and all payments to that vendor (the correct and incorrect) must be reprocessed.

After Controller review, the Data Service Bureau prepares the demands from the payment register, and the demands are subjected to another audit in the Controller's Office. If typographical errors in a vendor's name, address, or zip code are identified, or if a duplicate payment is found, the entire demand is cancelled and all the invoices associated with that demand must be reprocessed.

The process described above is involved and complicated; in addition, other specific difficulties are routinely encountered. For instance, if a vendor changes stationery slightly, (adds a doctor or incorporates), a new vendor code number must be established. This must be done before the payment is processed. If it is not, and if the name on the payment register (produced from old vendor code) does not match the name on the new stationery, the Controller rejects the payment. Likewise any change to a City employee's name, address or Workers' Compensation case must be entered before any mileage, lifetime pension, or award is made. Otherwise they will be rejected also. Any reprocessing will further delay the actual payment.

The major source of the delay in bill paying results from having to perform the batching, alphabetizing and load sheet tasks by hand. Additional delays result from such labor intensive tasks as keypunching the load sheets, and then, after computer processing, reviewing the error messages, rejections lists, and proofreading the payment registers against the invoices.

Other delays occur due to the computer comparison of service dates. If a treatment is provided by one physician over a period of time (i.e., a thirty-day period listed as 09-01-78 through 09-30-78), any other service by some other vendor during the same period of time will be rejected by the computer as being a possible duplication. Once the rejection is reviewed, and it is determined that the service was provided by different vendors, another load sheet will be prepared with a special instruction to by-pass the date comparison step.

We believe that the computer technology upon which the existing workers' compensation bill paying computer program and processing routines are based is obsolete. Remote terminals are now typically used to update computer based files without the need to complete load sheets by hand, then key punch those load sheets for input into the computer. Redesign of existing computer programs and systems is probably necessary before such terminals could be used. The use of such terminals for direct data entry would practically eliminate lengthy turn around times for file updating, reduce the amount of hand sorting and batching of invoices, result

in the input of more accurate information and could allow for more complete and thorough auditing by the Controller before a demand is prepared. (See Recommendation No. 19f.)

f. Vendor billing cycle

Due to the above described delays, at least two months may pass between the first billing by the vendor and the payment. However, if payment is not received within about 30 days of the first invoice, the vendor will send the second, then third (or more) notices requesting payment. The City processes these notices as original invoices. As the Division falls further behind in its bill paying, the number of unpaid bills requiring processing will have doubled or tripled. If the second or third notice does not result in a payment, telephone calls may be made to the Billing Unit in the Workers' Compensation Division inquiring about the status of the payment. This does occur and acts to slow the bill paying process further as more time is spent on the telephone and less time is devoted to authorizing payments.

g. Rush payments and duplicate payments

As a predictable consequence of duplicate billing, vacancies, employee turnover, and having relatively inexperienced personnel authorizing payments, a number of invoices are authorized and paid more than once. A contributing factor is the number of rush payments being made. Rush payments bypass the "computerized" bill paying system and require the preparation of a standard request for payment form. Additional and repetitious work must be performed to later record the "rush" in the computer and on the microfiche, which would otherwise be inaccurate. If other duplicates of the "rush" bill are in the aging file, and the microfiche or hard copy file do not show the "rush" payment, when the duplicate invoice is encountered it is likely that a duplicate payment will be made.

The rush payments create double work. Clerical work is first invested in typing a request for payment and then preparing a separate load sheet to record the "rush" on the microfiche. If a "duplicate payment" is identified by the Controller or by a vendor, additional clerical work must be performed to "cancel" that payment. Due to the backlog of unpaid invoices, rushes have been necessary to avoid having convalescent hospitals evict long term patients (who are receiving workers' compensation benefits), or losing the service of doctors who now treat City employees.

It is imperative that the bill paying process get current by reducing the present backlog and stay current by authorizing payments, processing payments and issuing demands before the

second vendor invoice is generated. The only way to get current is to fill the clerical vacancies. Further, should any vacancies occur in the bill paying and processing unit, they should be filled immediately, preferably by transfer of clerical staff within the Department who should be cross-trained in the bill paying process. Otherwise, backlogs, delays, and duplicate payments will recur. Once the process is reasonably current (demands issued by Controller within 20 days of receipt of invoice), design of a reasonable accounts payable system, the design of a modern computerized system and the reorganization of the claims adjustment and bill paying functions must be planned.

OPERATING PROBLEMS

Training and Operating Manuals

Clerical personnel and claims analysts in the Workers' Compensation Division have been trained on-the-job by more experienced employees. Procedure manuals are not available in the work areas. What can be found is old and out-of-date. New employees cannot familiarize themselves with procedures, functions, policies or operating responsibilities without being told by another employee. High turnover in the bill paying section increased the amount of on-the-job training and substantially diminished the operating capacity by diverting more experienced people to training. High turnover has decreased continuity, in the absence of procedure manuals, because those training new employees may not be totally familiar with the work and may instill either poor work habits or provide improper instructions. To better prepare employees for their jobs, training manuals and operating manuals must be prepared after determining the duties of various positions, developing duty statements for each individual activity, and some "how to" instructions. (See Recommendation No. 20)

Office Space

The Workers' Compensation Division is in the process of occupying new office space. This should improve the operation considerably, as the former space conditions were crowded in a basement area, with very small offices, scattered files, and functions that were essentially the same divided among several offices. The lack of adequate space contributed to decreased productivity, increased errors and promoted inefficiencies.

Telephones

For Workers' Compensation Analysts to maintain control over cases, they must contact hospitals, doctors, therapists, and the injured employees and their supervisors. The analysts must use City tie-lines and place long distance calls through City

Hall operators. This is extremely time consuming and counterproductive. Often City tie-lines are busy, and calls must be dialed repeatedly. Long distance calls require that the operator record for each call, completed or not, the employee telephone number, department and number called. Many employees live outside the City and are provided with treatment near their homes, necessitating tie line and long distance calls. Based on our observations, it appears that analysts should have push button phones and outside telephone lines to enable the direct placement of long distance calls. While this is an expense, it will make each analyst more productive, and will be translated into savings through faster workload processing. (See Recommendation No. 21)

Classification

Most "bill paying and processing" positions assigned to Workers' Compensation are Clerk Typists and Senior Clerk Typists but do no typing. A classification study would be appropriate.

The manager of the Workers' Compensation Division is presently classified as a Chief Personnel Analyst. However, the manager position must be able to utilize such knowledge and skills as systems analysis, accounting, claims processing, file maintenance and the like. It appears that the knowledges and skills required of the manager position are more similar to those of the Principal or Chief Administrative Assistant classes than the Personnel Analyst series. A classification study of this position is warranted. (See Recommendation No. 22)

Supervision and Management of Claims Process

The performance of analysts or bill payers must be measured against clear standards. Without guidelines and operating procedures, analysts are performing the work as they believe it should be done. There does not appear to be continual supervision over newer employees, nor formalized training. Our observations indicate that advance permanent disability payments may be started with almost no supervisory review. For instance, ratings to determine the amount of advance disability are made with little or no supervisory review and, in a few instances, the advances have exceeded the amount of the permanent award. As previously indicated, duty certificates are not reviewed. Clerical personnel paying bills vary in their productivity rate. Some personnel can pay and/or process 60 to 80 bills a day, while others do far less. Fragmented activities within the Workers' Compensation Division have resulted in no one following through to determine whether a case has been closed, whether a file has been prepared, whether the appropriate documents are being received from physicians, if the bills that are being paid are consistent with the original or modified diagnosis or if the fees charged are consistent with accepted pricing standards. This

fragmentation creates gaps or voids in the claims management process and significantly impairs the Division's ability to control costs. (See Recommendation No. 23)

Unit supervisors of clerical and analytical activities within the Division, when questioned about the identified problems, indicated that discussions between themselves and the next level supervision or management did occur. However, either proposed staffing levels, system modifications or procedural changes could not be agreed upon, or what was agreed to was not funded in the budget. As a consequence, identified problems remained uncorrected. Inefficient or ineffective operations continued to exist, resulting in the deterioration of morale among clerical personnel, analysts and supervisors.

Without active supervision, management involvement and operational reviews, alternative solutions to some problems will not be identified and implemented. Management of the Department needs an independent evaluation of the efficiency and effectiveness of the Workers' Compensation Division. To obtain such input, it is appropriate to contract with an auditing firm that specializes in workers' compensation activities. Such an organization could, on a periodic basis, review a sampling of the newly opened cases to ascertain if the State Labor Code provisions were being followed, if the Division staff were following accepted industry practices in adjusting cases, and if the case files were accurate and complete. Armed with such information, management could take more aggressive action to modify operations when deficiencies were identified. (See Recommendation No. 24)

ORGANIZATION OF WORKERS' COMPENSATION ACTIVITIES AND WORKLOAD

The current overall organization of the claims adjustment function is reasonable from the standpoint of span of control. A single manager has a small administrative staff and should be able to, through subordinate supervisors, keep abreast of fluctuating conditions in civilian and sworn injuries, costs, and processing problems. However, the manner in which the various work processes and workload are divided has caused problems in both operations and in control over payment of funds.

Case Load

The private sector generally assigns between 250 to 350 lost-time workers' compensation cases to an adjustor. The industry has found that this general range of case assignment is sufficient to fully occupy an adjustor's work week and allow adequate time for an adjustor to protect the interest of the insurance company (review treatment reports, progress reports, authorize bill payments). Should a lost-time case load grow significantly beyond the 300 to 350 level, insufficient time will

be available to follow-up on medical treatments being provided, critically examine bills received for treatment, make the necessary follow-up calls and reports to doctors and the injured employee. Should an adjustor's workload grow too large, injured employees may receive too much temporary disability, the adjustor may fail to recognize when inappropriate treatment is occurring, or fail to adequately evaluate bills for treatment. All of these conditions increase the costs of the injury.

The City's lost-time case load has been increasing for many years. Adequate documentation is not available to make reasonably accurate estimates of the exact case load, but the number of cases per Workers' Compensation Analyst appears to have increased to at least double what the industry uses as a guideline. To make matters worse, the City has not segregated lost-time Workers' Compensation cases from the "medical only" cases as discussed below.

At the time of this Audit, two vacant Workers' Compensation Claims Analyst I positions existed. These vacancies were part of the budgetary reductions necessitated by Proposition 13. However, two other Workers' Compensation Analyst I positions were filled by staff acting as field investigators. Considering the difficulties described by supervisors and employees caused by the current case load, it is not readily apparent why needed positions were vacant while field work of limited value is permitted to continue. Before any new positions are authorized the vacant positions should be filled and the personnel now assigned to the less valuable field work should be reassigned to perform claims management work. This should be a first step in reducing the current case load. (See Recommendation No. 16)

"Medical Only" Injuries vs. Lost-Time Injuries

As discussed above, the Workers' Compensation Division does not segregate its case load by lost-time vs. the non-lost-time (medical only) categories. The private sector (insurance companies and others) segregate these cases because the lost-time injuries are more expensive and deserve more attention than the non-lost-time variety. The medical-only type of injury is where first-aid or emergency room service is necessary to treat an employee, but the injury is not severe enough to warrant the employee being removed from the job. The lost-time injury is a more severe injury requiring more sophisticated and longer medical treatment to restore a person to (or near) pre-injury condition. Generally, the adjustment of a "medical only" case involves paying for first aid and treatment and determining if any permanent disability has occurred. This is generally the most simple type of case and is usually given to the junior level adjustor or analyst.

The City does not differentiate its cases in this manner. As a consequence, all staff is assigned both types of cases. This wastes resources (experienced persons), complicates training and development of junior staff, and can cause complications in the orderly adjustment of complicated cases if those cases are being processed by inexperienced staff. Supervision of such an activity, under otherwise good operating conditions, would be difficult at best.

The City must differentiate between the lost-time and non-lost-time injuries and assign those injuries/cases to staff consistent with the experience of the staff. (See Recommendation No. 13d.)

Standardized Procedures

Separate claims units for the processing of claims for civilian injuries and sworn injuries is not consistent with the claims analysis performed. While there are differences in City regulations governing who decides whether an injury is job related for civilians and for sworn employees, and the rates of compensation are different, the adjustment of claims and Workers' Compensation Appeals Board award processes are basically the same. (See Recommendation No. 13a)

Similarly, the differentiation between "medical" bill paying and the awards processing is inappropriate. Both operations involve paying obligations. The only significant difference is that the award is mandated by a Workers' Compensation Appeals Board and requires the City to pay the employee, the employee's doctors, and attorneys, while "medical" bill paying involves paying invoices for treatment provided to the employee. The same accounts payable systems should be the control under which awards, invoices and pensions are paid. That single system does not now exist. The development of the master accounts payable system should involve the combination and consolidation of award processing and medical bill paying under one supervisor. Uniform procedures, standardized forms, and better work scheduling could then occur. (See Recommendation No. 19)

DATA PROCESSING PROBLEMS

Bugs in Programs

The Workers' Compensation Division has been plagued by computer programs that: will not change rates of compensation for awards; do not change addresses of some employees when requested; and print numbers that are not appropriate to addresses. These errors cause double work. They cause special "rush" payments by hand and duplicate input of the correct information. Further, some of the lifetime awards requiring on-

going monthly payments are sometimes not made. For some unexplained reason, City employees or retired employees are dropped off these payment rolls and must be paid outside the established system.

Excess Information

In the bill paying process, the turn-around time for vendor file changes and employee address changes appears to be too long. Further, the programs that maintain a record of the bills paid against each workers compensation case number do not have a capability to purge inactive case files. Thus, the microfiche prepared periodically contain all of the cases with paid bills, or the equivalent of some 26,000 pages of material which must be searched to authorize payments.

Program Design

The programs used to process workers' compensation cases, files, bills, and awards, were designed some years ago. Since then input technology has changed significantly. The multiple steps described earlier have been replaced by remote terminals that allow the input process to be shortened--both in time and in the number of steps. This more modern method of input is needed to process the large number of bills received annually (estimated at 200,000) and to keep track of an ever increasing number of cases and injuries.

Beyond the input hardware, there appears to be a need to completely redesign the existing Workers' Compensation data processing system. The existing system was developed in the late sixties and early seventies. It is now necessary to computerize routine work beyond the capacity of the existing programs. The City must be able to quickly and accurately maintain and access workers' compensation case information, preferably through on-line terminals located in the Workers' Compensation Division. This type of information can now be obtained only by time-consuming hand research. We believe that programs currently in use cannot, by virtue of design, perform sort routines. The current program can identify possible duplicate payments, but because of the total system this may be better performed by a human rather than following the steps to enter the data and waiting for a machine to compare dates of service and then report possible duplications. Other computer oriented problems result from preparing management reports from different source material. During the course of this Audit, a print-out showing services rendered by different vendors was used to identify the purchase of large quantities of prescriptions for injured employees. When the microfiche were reviewed, it became evident that the report (print-out) did not contain all of the prescription drugs for the employees. Such inaccuracies make it

next to impossible to obtain any consistent information for comparative purposes.

The current accounts payable and computer systems must be revised to correct existing deficiencies and establish reasonable accounting controls and records. The Workers' Compensation Division needs a logical and reasonable accounts payable system. (See Recommendation No. 19f)

Controller Interface

The working relationship between the staff in the Controller's Office and the Personnel Department Workers' Compensation Division needs improvement. It appears that a lack of communication has led to a lack of understanding of each other's problems. For example, the Controller has had to establish a separate checking procedure to reduce the number of duplicate payments being made. The Controller's staff routinely prepares lengthy memos detailing errors in payments. Corrections or cancellations are routine. This Office believes that the lengthy and detailed corrections memos issued by the Controller's Office have failed to identify basic Workers' Compensation system flaws in both computer and accounts payable procedures. Without question, individual errors have been properly identified. But over the several years that the Workers' Compensation system has been in operation, the multitude of errors identified did not result in any long-range basic system changes.

We believe that the errors identified by the Controller's Office and Workers' Compensation were not random in nature nor unrelated. While on the surface the errors may appear to be typographical or simply a momentary breakdown of an existing system, these errors recur with disturbing regularity. Examples include improper vendor identification, the number of cancelled demands, redeposits, and rush payments.

To catch errors, the Controller's Office has established a ledger card system to keep track of payments by Workers' Compensation case number. The Personnel Department keeps track of payments by employee name and case number. Since many employees may have several cases active at one time, the Controller's ledgers do not lend themselves to verifying duplication of some other payment made under a different case number. This can be significant since one vendor may be providing similar services under different case numbers. If various services are charged to different cases, and if second or third notices to pay have been received, it may be impossible to keep track of service dates if all the cases (ledgers) are not examined.

The accounts payable process in Workers' Compensation Division and the audit files in the Controller's Office need

reevaluation. A bill paying process must be established that will minimize repetitive actions on each bill in Workers' Compensation, Data Service Bureau, and Controller's Office. It must use a single source document rather than the several sources now in use. Audit control should be part of the process that can be used by Workers' Compensation and the Controller. Various recommendations referenced herein are intended to improve the process on a short-term basis, pending the availability of resources to provide a total system change.

Liaison with Other City Departments

Interviews with numerous department managers indicate that almost every department has significant problems arising from on-the-job injuries to employees.

Operating departments were highly critical of relationships with the Workers' Compensation Division staff. Communications regarding injured employees have been characterized by department staff as antagonistic or almost non-existent. It is difficult for most departments to keep track of the physical condition and payroll status of injured employees. The departments are more often than not confused by the form letters and medical restrictions in awards referred to them by the Workers' Compensation Division. Department representatives often are not able to talk with the responsible Workers' Compensation Analyst about the injured employees. Coordination of Medical Services and Workers' Compensation activities as they affect an injured employee or the employing department requires that the employing department make appointments, schedule meetings, and press for examinations rather than the Personnel Department doing so. (See Recommendation No. 25)

Discussions with various departmental representatives, City Attorney staff, and Workers' Compensation Analysts reveal that most civilian City departments do not adequately understand workers compensation (State) laws, theories, and definitions. We are of the opinion that this lack of understanding and knowledge results in more questions to Workers' Compensation staff, Medical Services and the City Employees' Retirement System than would occur with a better level of understanding. Without adequate information, departments may be making poor decisions on what work an employee can perform after receiving an award or returning from an injury. Notable examples include large sums of money paid for loss of wages to employees dismissed without proper medical examinations following return to work after an on-the-job injury.

Information about the City's Workers' Compensation program is extremely limited. The Personnel Procedures Manual, in two or three pages, describes the process by which injuries must be reported. It does not explain what will be done, who

will do what, when, etc. There is no explanation of the State law. The Personnel Department must update its manual. Further, it should conduct a workshop for Personnel Directors and their assistants that would, in one day, explain what happens with a workers' compensation injury, treatment, Workers' Compensation Appeals Board action, the award, the role of the City Attorney, of Medical Services, and of Rehabilitation. It is imperative that the definition of "disability" be explained to these officials because this word in workers' compensation law has a meaning that is substantially different from its meaning in everyday conversation. The manual and workshop material must be prepared in cooperation with the City Attorney, Medical Services, the Rehabilitation Units (both in Medical Services and Workers Compensation) and the Pension Systems. The process of assembling such material would probably raise questions about laws, City procedures, and cause Workers' Compensation Analysts to better understand departmental needs, as well as the shortcomings of the current methods and procedures of the Workers' Compensation Division. (See Recommendation No. 26)

Liaison with Injured City Employees

Reports from various departments indicate a need to improve the relationships between the Workers' Compensation Analysts and injured City employees. It has been stated that some City employees resent the treatment received from Worker's Compensation Analysts to the point that they press claims "to get even". Admittedly the nature of the relationship with an injured employee is such that the Workers' Compensation Analyst is likely to be viewed as an adversary. Yet, making allowances for contentiousness between injured employees and Analysts, the goal should be to treat the employees courteously, fairly, and to return them to duty as quickly as possible by providing proper medical care, therapy, and supportive counseling and encouragement.

INTRADEPARTMENTAL COORDINATION

Need for Coordination

The activities of the Workers' Compensation and Medical Services Division and the Safety Office are geared to the goal of employing physically qualified employees, keeping them healthy, compensating them for injuries and protecting the City from future liabilities. Although certain aspects of an individual division's activities may be conducted with little contact with the other divisions, substantial coordination and cooperation is needed to effectively carry out all the activities which comprise the City's response to employee injuries. In recognition of the interrelationship of their activities, these three subdivisions of the Personnel Department are informally under the overall supervision of the same Assistant General Manager; however, each operates independently of the others. The respective staff members of these divisions recognize the need for a more integrated effort, but are hindered by traditional disagreements which result from mixing individuals of differing professional fields of medicine, management, administration, technical specialties and with various salary levels.

Since the employees, even though they recognize the need for coordination, have been unable and/or unwilling to achieve that coordination, it is clear that Department management must take steps to bring it about. The focus of the activities surrounding injuries should be the Workers' Compensation Division, but much of the communication between staff in that Division and staff in the Occupational Safety Office and Medical Services Division is lacking. The cases described below illustrate the hindrance to effective service caused by poor coordination.

Preparation of Medical Treatment Reports by Medical Services

An intradepartmental coordination difficulty results when Workers' Compensation Analysts are not provided with first treatment reports from City doctors in the Medical Services Division who treat civilian employees injured in the Civic Center area. State law requires that a thorough medical report be prepared by the physician who first treats an employee injured in an industrial accident. The necessary reports should be prepared when a City employee is treated by the Medical Services Division just as reports should be completed by any physician who treats an injured City employee. The reports should be promptly sent to the Workers' Compensation Division just as industrial clinics do. It is unacceptable that such an in-house problem should be allowed to continue. (See Recommendation No. 27b.)

Physical Therapy Evaluation

Another area of concern is that some Workers' Compensation Analysts believe that too much physical therapy may be given to injured employees by private physicians. But since they (analysts) do not authorize payments of bills for service in amounts under \$350, they are not exactly sure that their belief is correct. Analysts should be involved in authorizing payment of bills under \$350, and they should be in consultation with Medical Services Division physicians to determine whether the therapy provided is in excess of what would be useful to the employee and then suggest to the treating physician different medical treatment, or if convenient for the employee, schedule the therapy to be given by the City's Medical Services Division. (See Recommendation No. 27c.)

Barriers to Communication between Workers' Compensation and Medical Services Division

Workers' Compensation Analysts make decisions based on information received from "Workers' Compensation Doctors" (private physicians to whom injured employees are referred). Some in-house consultation between Medical Services Division physicians and the Workers' Compensation Analysts would improve the knowledge of both. Yet there is little consultation. Several reasons have been given, one being that Workers' Compensation Analysts do not want to be confused by having two medical doctors involved on the City's side, especially when opinions may conflict making the Analysts' job more difficult. Further, there are assertions by some medical staff that not only do the Workers' Compensation Analysts lack medical knowledge, but that they are sometimes abusive when discussing cases with City physicians. On the other side, it is alleged that the City's physicians are poorly informed on Workers' Compensation law and that they do not want to be involved in litigation.

Evaluation of Medical Treatment Provided to Injured Employees

The general responsibilities of Workers' Compensation Analysts require that they evaluate how reasonable the recommended treatment is relative to the rate of recuperation of the injured employee, and suggest other treatment if recuperation seems slow, or seek a declaration that the employee's condition is permanent and stationary.

During the course of the Audit, several complaints were encountered that some industrial clinics have not provided, in the opinion of the injured City employees, adequate first care nor did those facilities take sufficient time or effort to identify or diagnose the source of pain the employee claimed to suffer. No case by case evaluation of such complaints was

attempted. However, there does not appear to be a procedure or process to allow employees to present problems created by the clinics or doctors used by the City, other than to change treating physicians. There is relatively little contact between the treating doctor and specialists in the City's Medical Services Division and the analysts in Workers' Compensation for complaint investigation or evaluation of treatment. Employees who are not satisfied, if they complain to the Workers' Compensation Analyst, can be referred to another doctor. Beyond the need to identify and evaluate complaints, there is a need for some periodic evaluation of the performance of clinics and specialists and the treatment they provide to City employees. (See Recommendation No. 28.)

Interface with the Safety Office

The safety engineers report that little communication takes place between themselves and the Workers' Compensation Division, not because of a conscious avoidance, but primarily because of their perception that Workers' Compensation Division is overwhelmed by workload. If a degree of order could be brought to the Workers' Compensation Division (as discussed in another section of this Report), the safety engineers should maintain frequent contact with the Workers' Compensation Analysts, particularly when a case is first opened on an injury.

The major source of statistical information relative to Workers' Compensation activities and other programming or statistical manipulation is prepared by employees in the Safety Office of the Personnel Department. That office employs personnel who are versed in the ASI-ST computer program language. This language allows knowledgeable employees to write programs to gather specific information from existing stored information. These employees are not consistently or routinely used to provide information that would be helpful and necessary to supervise Workers' Compensation personnel, measure productivity and identify causes of injuries. These Divisions and offices within the Personnel Department (Medical Services, Safety, and Workers' Compensation) appear to be operating as if they were separate operations and are not using each other's resources in order to solve their individual but related problems. (See Recommendation No. 41a.)

Rehabilitation Policies

A recent court decision applying private industry standards for rehabilitation efforts to local governments will lead to a substantial change in City effort in this area. The Personnel Department has made a proposal which currently is under analysis by this Office. Because the issue will be covered in detail in a separate report, it is not discussed herein.

Pharmacy

The City pharmacy, operated by the Medical Services Division, exists primarily to provide medications needed by City physicians who treat persons in City jails, though jail related medicine accounts for only about 10% of the pharmacist's expenditures. The pharmacy stocks and dispenses medications needed for first and continuing treatment of injuries to present and former City employees for duty related illnesses or conditions. The pharmacist also fills prescriptions written by Workers' Compensation and private physicians for employees and disabled employees for whom continuing care is authorized.

We are advised that the cost to the City for brand name medicines purchased by City employees at retail pharmacies is twice the cost which would be paid if the City purchased the same item in the same quantity. When the City purchases medicine in large quantities sufficient to fill several prescriptions, the price difference changes considerably. An example cited was, if Librium is purchased wholesale the cost may be \$8.00 per 100 tablets. A retailer then sells the items to a retail customer for \$12.00 to \$16.00. If the 100 tablets were sold in four prescriptions of 25 tablets each, the retail sale price might be \$6.50 per prescription (because of overhead) or a total of \$26.00 for the 100 tablets. The City could buy Librium at \$8.00 per 100 and dispense it at a lesser cost than if the employees purchased it from a retail pharmacy. We are advised that if the retail pharmacy is to bill the City for payment, as much as a 25% premium is often added to compensate for bookkeeping, red tape and delays incurred in doing credit business with the City. Therefore, the \$12 to \$16 price to a retail patient may change to a \$15 to \$20 price when the retail pharmacist is told to bill the Workers' Compensation Division.

The price changes even more remarkably if the drug is dispensed in generic form. Although most physicians continue to prescribe brand name medicines, the City's pharmacist can dispense the generic equivalent, if the patient agrees. The cost to the City may then be 1/10th to 1/25th of the retail price which would have been paid. Whereas, Librium costs the City \$8 per 100 tablets, the generic form costs \$1 per 100. The City could fill four prescriptions of 25 tablets for \$.25 each, whereas, if the four patients each bought one 25 tablet brand name prescription at retail prices and had the City Workers' Compensation billed, the cost would be \$6.50 each plus 25% premium for a total of \$8.12 x four prescriptions equals \$32.48 cost to the City for medicine Medical Services could dispense for an out-of-pocket cost of \$1.00.

The benefits to the City in minimizing the cost and yet providing the proper medication is substantial. Because Medical Services tries to fill prescriptions for persons under continuing

care in 30, 60, or 90 day quantities, there is a dollar savings as well as the added convenience for the employee. Prescriptions may be filled at the Medical Services Division for local employees or by mail for persons who do not live close enough to pickup their medicines at the Medical Services Division.

Yet, a review of the Vendor Expense Report, which is a computerized listing of bills processed, for the period January 1, 1975 through June 1978, reveals case after case where employees repeatedly filled prescriptions at commercial pharmacies. The bills totaled \$176,000 for thousands of prescriptions, though the report does not precisely identify single prescriptions, and some dollar amounts are obviously for more than one prescription.

Exhibit A is a compilation of some of the more obvious and more repetitious purchases of medication which could have been provided by the Medical Services Division pharmacy at a lesser cost to the City. The question arises as to why the medication was not provided by the City at least-cost rather than purchased retail and at a premium price?

A lack of coordination in Workers' Compensation program activities appeared to be the cause of the problem. The City pharmacist provided samples of cards which he made available to the Workers' Compensation Division for mailing to injured employees and to the treating physicians to advise them of the availability of the City pharmacy services. An inquiry was made of the Workers' Compensation Division to determine when and by whom the cards are mailed. We were advised that the cards were last used several years ago in an effort to reduce pharmaceutical costs (by sending the cards to each employee who suffered an injury). These cards have not been used in the last several years.

The rehabilitation nurses visit injured or ill workers in an effort to assist them and to advise of the care and services available to them, and in the course of so doing reportedly encourage the use of the City pharmacy. However, they are not provided a copy of the listing of billings for medications. Without such a listing or some other indication of which patients are purchasing medicines, the nurses have no basis for encouraging persons to switch from private pharmacies to the City pharmacy. Furthermore, there is no indication that the nurses have any responsibility for following up on such matters, responsibility for managing Workers' Compensation costs being a function of the Workers' Compensation Division. (See Recommendation No. 27c.)

With regard to those persons who are retired for disability there is no one assigned to exercise control over "medical only" expenditures billed in amounts less than \$350.

Bills for less than that amount, which obviously include pharmaceutical bills, are automatically distributed to clerical staff of the Workers' Compensation Division who perfunctorily check the bills to determine their eligibility for payment and then process the bills for payment.

Some of the bills listed are for purchases made at intervals of two or three days up to monthly. It appears that even if employees or former employees are unwilling to obtain pharmaceuticals from the City they might be encouraged to purchase more quantity on a less frequent basis so as to reduce the retail costs which are eventually paid by the City. However, there is nothing in the system to provide such advice to the employees or former employees.

EXHIBIT A
SIGNIFICANT PHARMACEUTICAL BILLINGS
January 1975 - June 1978

<u>Case Number</u>	<u>Number Transactions</u>	<u>Amount Billed*</u>	<u>Case Number</u>	<u>Number Transactions</u>	<u>Amount Billed*</u>
64-00431	38	\$1,264	75-09935	19	\$ 383
74-13044	20	365	63-01814	34	1,115
72-09396	16	1,230	70-02108	18	466
74-07414	19	894	65-01335	23	481
61-01829	13	498	72-01207	13	548
70-02665	28	1,715	76-25638	16	245
72-03587	26	1,409	75-08694	16	346
66-00547	21	261	65-00349	13	242
63-02055	24	806	75-08630	30	1,076
63-02350	17	475	75-10335	13	358
72-00431	26	220	76-21586	19	278
70-04259	14	489	65-03595	31	979
62-02944	37	354	70-02695	40	1,003
66-00877	31	699	73-06853	33	650
69-01114	23	844	74-09448	20	217
70-03211	43	678	76-23141	18	444
71-05727	18	512	76-25051	10	295
75-01807	22	926	63-03601	19	229
75-09619	16	425	76-00338	21	834
75-11044	16	391	76-00851	15	559
75-10336	43	1,712	72-05395	32	1,302
63-00218	19	415	63-02392	92	3,569
58-00865	56	1,531	75-10779	14	81
65-03166	13	514	76-00612	22	282
68-02631	19	829	71-04392	36	1,090
74-10667	129	1,244	74-10048	28	318
67-05793	25	287	69-05325	35	650
70-04956	14	395	66-03524	19	888
76-20623	22	559	75-04939	27	547
				<u>1,534</u>	<u>\$41,416</u>

*Rounded to nearest dollar.

EMPLOYEE SERVICES DIVISION

The Employee Services Division is separated into two distinct functions, the Occupational Safety Office and the Employee Benefits Section. These Sections are loosely related through identification with the Occupational Health and Safety budgetary program, but have no functional interaction. The Occupational Safety Office is involved in the process of preventing and responding to on-the-job injuries, and in such capacity ideally should closely coordinate its activities with the Workers' Compensation and Medical Services Divisions. It therefore is discussed in an earlier section of this Report.

The Employee Benefits Section performs three independent functions which are related to each other only in that they all channel funds for the benefit of current or former City employees. They administer the City's health and dental insurance programs, the suggestion award program and the unemployment insurance program.

This organizational placement of dissimilar functions into the same Division is not considered unsound or ill conceived since it is likely that they would not necessarily fit any better in any other Division. However, if the opportunity for reorganization should arise, this Division could easily be split, and recombined with other functions.

Health and Dental Insurance Unit

Background

The Employee Benefits Section administers the Health Insurance Trust Fund. It is responsible for all matters pertaining to health insurance (including that of retired City employees), and dental insurance. The scope of services provided by this section has been broadened over the past several years by the addition of retired employee (or surviving spouse) health insurance, the dental plan, and the varying of subsidies for employee bargaining units.

The health and dental insurance benefits package available to employees is determined by the following process:

1. The Employee Relations Division of the City Administrative Officer requests the Personnel Department to prepare a proposal showing the costs for a proposed new benefits plan (e.g. addition of a dental plan).
2. Employee Services staff prepares bid specifications.

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3. With the assistance of an actuarial consultant the Chief Personnel Analyst analyzes the bids to determine the best package in terms of benefit to the employee and costs to the City.
4. The Chief Personnel Analyst negotiates the contracts with the carriers. (In the case of an established continuing carrier such as Kaiser, very little negotiation takes place. Those companies submit their bids on a "take-it-or-leave-it" basis.)
5. The City's contribution to the costs of the insurance plans for employees and their dependents is determined through the meet and confer process.

Provision of Information and Verification

For both the health and dental plans, the staff provides information to employees regarding coverage available, assists and verifies the preparation of enrollment or coverage, change documents, and prepares payroll change lists to transmit to the Controller. Special assistance is provided when needed for retired employees or their surviving spouses. The staff often receives calls from physicians or hospitals to verify coverage. This verification is hampered by the lack of current lists of names of retirees and/or covered dependents. The computerized tab runs provided by the City Employees' Retirement System (CERS), are listed by retirement number, which although issued alphabetically, fail to take into account subsequent changes in names due to remarriage. Since the retirement numbers are often not known by the physician or hospital requesting verification, employee benefits staff must often search the whole list to locate the name of the insured individual, creating delays and extra work.

Updating of Listings

The Personnel Department has no up-to-date listing containing the name of each employee and the names of each covered dependent. The payroll information listings provided by the Controller show only the number of dependents carried by each employee; therefore, employees who call Employee Services to verify the coverage of family members must wait while Employee Services staff contact the carriers. This problem and that of the retired employees listing have not been considered serious enough to take the effort to create and manually update a listing of all covered employees and dependents. However, automated typewriters are now available which can automatically sort and alphabetize. Employee Services staff anticipates that they will have access to one in the near future which should help reduce workload somewhat and improve services.

Reconciliation of Payments

The two-person accounting staff in the Employee Benefits Section reconcile all of the payroll deduction registers with other computerized tab runs (such as listings of leaves, terminations, or changes in status) to assure that the proper amounts are being deducted from paychecks and that the proper amounts are being paid to the carriers. This task has been complicated somewhat in recent years by Memorandums of Understanding which provide differing subsidies for differing representation units.

The Personnel Department handles the health and dental insurance not only for active and retired City employees, but also for employees who are temporarily off the payroll (six months or less). Employee Benefits staff computes and transmits bills to the off-payroll employee. Receipts from these employees, as well as receipts from the Controller for payroll deductions, payments from the City Employees' Retirement System, Police and Fire Pensions, CETA, Departments of Airports and Harbor, and from the Community Redevelopment Agency are deposited by Employee Benefits staff into the Health Insurance Trust Fund for payment to the various health insurance carriers.

Special Handling for Community Redevelopment Agency

Employee Benefits staff reported that difficulties exist in the administration of the health insurance policies for the Community Redevelopment Agency (CRA). That agency is a separate entity from the City, a public agency which receives Federal Housing and Community Development (HCD) Block Grant funds from the City through a contractual agreement. Although the 250 CRA employees are not City employees and are not members of the City Employees' Retirement System, the CRA health insurance is administered by the City Personnel Department. Until January 1979, the CRA payroll was prepared by the City Controller, and the CRA employee names appeared in the alphabetical listings used by Employee Benefits staff to reconcile the health insurance coverage payments. Although there are reports of some discord between the CRA and Employee Benefits staff, no extraordinary problems were created by this arrangement.

Effective January 1, 1979, the CRA payroll was transferred from the City Controller to Security Pacific Bank. This change in payroll handling has caused a direct increase in the workload of the Personnel Department. The CRA payroll must now be reconciled for health insurance in a procedure which is totally separate from the City employees. Employee Benefits staff estimates that this extra process will take an additional eight to twelve hours per month.

Investigation revealed that this service of health insurance administration is provided to the CRA by City employees at no cost to the CRA. The contractual agreement whereby the City provides HCD funds to the CRA contains no reference to the provisions of health insurance, nor can there be found any other instrument which obligates or authorizes the City to include CRA employees in the City's health insurance coverage. Notwithstanding the absence of a contractual obligation, it is recommended that the coverage of CRA employees through the City insurance policies be continued. It is in the public interest, and the best interests of the CRA employees, for them to remain affiliated in their insurance coverage with a large group such as the City, since it is unlikely that the CRA alone could obtain coverage as inexpensively as through affiliation with a larger group.

The policy covering State employees and other public agencies through the Public Employees Retirement System (PERS) is almost identical to that of the City. Transferring CRA employees from the City policies to the PERS policies is a viable resolution to the extra workload. However, there is no compelling reason to transfer CRA employees to the State's PERS. Consideration has been given to transforming the CRA from its status as an independent agency into a part of a City department. This step may be feasible some time in the future. For that reason, maintaining the CRA's affiliation with the City's health insurance plan is, at the present time, in the City's interest.

The health insurance relationship should be formalized by means of a contractual agreement between the City and the CRA. Such an agreement should be negotiated by the Personnel Department with the assistance of the City Administrative Officer. It should contain provisions pertaining to the CRA's payment of a fee to the Personnel Department for administrative costs including overhead, the method and timing of remittance of the fee and the direct insurance costs, contents and format of employee membership data to be provided by the CRA to the City, open enrollment periods, and the like. (see Recommendation No. 32)

Suggestion Award Program

Sections 4.294 through 4.300 of the Administrative Code provide for the establishment and administration of the Suggestion Award Program. The program is intended to encourage employees to submit suggestions for the improvement of or reduction in costs of City services through the provision of suitable awards for such suggestions. All employees of participating departments are eligible except management, and staff employees whose duties consist of development of

improvements to procedures, and employees administering the suggestion program.

The role of the Personnel Department is to coordinate the Suggestion Award Program for the City. Each participating department establishes and conducts its own suggestion plan with the assistance of the Personnel Department. Suggestions considered acceptable to operating departments are implemented by those departments and, where monetary savings are involved, evaluated by the Suggestion Plan Coordinator in the Personnel Department for issuance of a cash award of ten percent of the first-year savings.

The Suggestion Award Program occupies one person half-time. The review by the Suggestion Plan Coordinator is primarily for determination of eligibility of the suggestion and verification of actual implementation and achievement of savings in the affected department. In cases where the suggestion affects the activities of a department other than the one originating the suggestion, the Coordinator transmits the suggestion to the affected department or the City Administrative Officer for evaluation.

No significant problems are apparent in the operation of the program within the Personnel Department. The program has not been entirely without difficulties, however. Since its inception, Citywide participation has been rather low. For example, in 1976-77, 278 suggestions were processed, of which 41 were adopted for a calculated first-year monetary savings of \$20,275. In 1977-78, total savings amounted to \$30,606 from 18 adopted suggestions. Employee Benefits staff attribute the low level of activity to a general attitude among the departments that the program is a "pain in the neck". In each department there are costs associated with researching the suggestions to determine their feasibility and cost savings. It is unknown what the total cost to departments is, but since most of the suggestions submitted are not adopted, it is possible that it exceeds the savings generated by adopted suggestions. The worth of a suggestion program, however, cannot be determined solely by net savings or administration expenses. The aspect of employee morale has a value which cannot be measured in dollars and cents, and the City's interests can be served by offering employees a formal avenue to submit suggested improvements to City procedures. The Personnel Department should continue its endeavors to stimulate interest among employees and management to bring about an increase in activity.

Notifications of adopted suggestions are not transmitted by the Personnel Department to the City Administrative Officer. Information contained in suggestions, though it may appear trivial, would be of use during the budget formulation process,

and should be available together with notification as to which suggestions are adopted. (See Recommendation No. 33)

Unemployment Compensation

Background

City employees who are laid off from their jobs due to lack of work are eligible to collect unemployment insurance benefits. When City employees lost their jobs prior to 1975, they could not collect unemployment benefits because the City was not contributing to the State Unemployment Insurance Fund. As of January 1, 1975, Federal legislation provided funds for unemployment compensation payments to former City employees through the Special Unemployment Assistance (SUA) program. In late 1976 further Federal legislation was enacted requiring that, effective January 1, 1978, conventional unemployment insurance coverage be extended to public employees and paid for by the state and/or local governments. Under the legislation the SUA program continued until January 1, 1978. The City now pays unemployment benefits to its former employees by a method of reimbursements to the State Employment Development Department (EDD) for benefits the EDD has paid during each quarter.

The City received its first billing in March 1979 based on claims filed in August, September, and October, for wages paid during the first 12 of the previous 15 months. Since only one-fourth of the wage period on which these claims are based occurred after the effective date (i.e. January 1, 1978) of the legislation, the first billing will be only approximately one-fourth of later billings when all 12 months of the covered wage period fall after the effective date. As additional quarters of covered wages are added, each billing will be progressively larger.

Administration of Unemployment Claims

Although most unemployment claims are not disputed by the City, some of them are submitted by former employees who voluntarily resigned from their jobs or who were discharged for cause and therefore not eligible for compensation. The City has a ten-day period after the filing of each claim to review the EDD claim form and present the facts surrounding the termination to the EDD, which uses that information to determine whether the claim is legitimate.

For cases in which EDD has approved the payment of benefits to former employees who, in the judgement of Employee Benefits staff are not eligible, Employee Benefits staff obtains all the necessary information regarding the employees' terminations and presents the City's appeals to administrative

law judges. Further appeals may be presented to the California Unemployment Insurance Appeals Board, and after that, the Court system. Claimants may also appeal EDD decisions in the same manner.

The Personnel Department developed some expertise in dealing with the State EDD during the administration of the Federal SUA program. The work of claims processing research, transmittal of information to the EDD and presentation of appeals currently is performed by a Junior Administrative Assistant with some clerical assistance from within the Employee Benefits Section. While this level of staffing has been acceptable to this date, there are indications that the tasks involved with claim administration and claims analysis (discussed below) will grow increasingly complicated as the City moves into the position of paying the entire unemployment compensation expense in coming months, and as more and more terminated employees (eligible or not) seek unemployment compensation. As the workload begins to increase beyond the capacity of the existing staff, the Personnel Department should enlist the assistance of experts in the unemployment insurance field to develop the claims management plan most suitable for the City. Such a plan would include the use of computer systems for payroll cross checking, and should include an option for contracting with a private firm for the computer service. Employee Benefits staff has been informed that there exists such firms with computer systems already in operation and adaptable to the City's payroll system.

Analysis of Claims Records

The Employee Benefits Section maintains a file for each request for information from the EDD. The count of those requests has increased from 1,993 in 1976 to 2,520 during 1978. Of those information requests, Employee Benefits staff could not derive information as to how many claims were actually filed and benefits granted, because until fairly recently, the City received no information from EDD regarding the names of persons receiving unemployment compensation. Now that compensation payments are being reimbursed by the City, the State EDD is sending notification of initial payment to each approved claimant. Cross checks of some of the recipients with City records of terminations showed no discrepancies or inappropriate payments.

At the time of the Audit, the Department had not had sufficient time to perform any significant analysis of those notifications of initial payment, or of the first billing. As experience is gained, the Personnel Department should develop a system to conduct ongoing verification of the information provided by EDD to insure that those receiving payments are eligible. Also, the Department should develop historical statistics which would aid in forecasting future unemployment

costs. Of particular interest would be a tabulation showing from which classes and which departments unemployment claimants come and how many claimants file for and receive benefits on a repeater basis. As more data becomes available and is statistically analyzed, it should be disseminated to the departments, the Mayor, the Council, and the City Administrative Officer for their use in preparing the City Budget and formulating policies regarding the City's approach to unemployment compensation. (See Recommendation No. 29)

Seasonal Workers

A large number of unemployment insurance claim inquiries have come from the ranks of temporary, seasonal workers, particularly Crossing Guards. The provisions of the unemployment insurance legislation require that an employee need earn only \$750 gross wages in any base year in order to qualify. Most seasonal employees do earn this minimum and become eligible to receive benefits when their temporary employment is concluded. For example, a Crossing Guard, when the summer recess begins, may file for and receive unemployment benefits until the fall school term begins. The Personnel Department has appealed and lost two Crossing Guard cases before the California Unemployment Insurance Appeals Board. The City Attorney has been requested by the Personnel Department to determine if an appeal to the Superior Court would be warranted.

This Office has recommended in prior correspondence that the City support legislation which would amend the current law to exclude intermittent City workers in the same way that school system employees are excluded. The City should continually seek such legislation changes and whatever remedies are available through the courts. (See Recommendation No. 30)

As of this writing, the State EDD has not provided sufficient information for the Personnel Department to compute the total cost of unemployment insurance for seasonal workers. When such information does become available, and if the cost is substantial, the City should seek to revise personnel policies wherever possible to reduce the number of seasonal employees collecting unemployment benefits. Development of revised policies should be a joint effort by the Personnel Department, the City Administrative Officer, and those departments having large numbers of seasonal workers. Alternatives which should be considered include transferring all Crossing Guard activities to the Los Angeles Unified School District (whose employees are ineligible for unemployment benefits during the summer recess), and contracting for some of the services which generate the need for seasonal workers (e.g. refuse collection and lot cleaning). (See Recommendation No. 31)

Relationship with Rest of Department and with Other Departments

The only contact the unemployment insurance administration position has with other units in the Department is coordination with supervisors and with some clerical staff. The tasks are unrelated to the rest of the Employee Services Division and could be performed in another Division if organizational needs so dictated. Main contacts are outside the Department -- with the Controller's Office, with supervisors in the involved City departments, and with the State EDD. These relationships appear to be satisfactory for the processing of claims.

ADDENDUM

A discussion draft of this Management Audit Report was forwarded to the General Manager on August 6, 1979. As a result of these discussions, a draft in which narrative changes were made was prepared and forwarded to the General Manager on September 20, 1979. At the time of release, no statement of concurrence with or objection to the recommendations of this report has been received. However, based on discussions during the review process, the General Manager does not appear to be in total agreement with the report.

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